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BUSINESS WEEK

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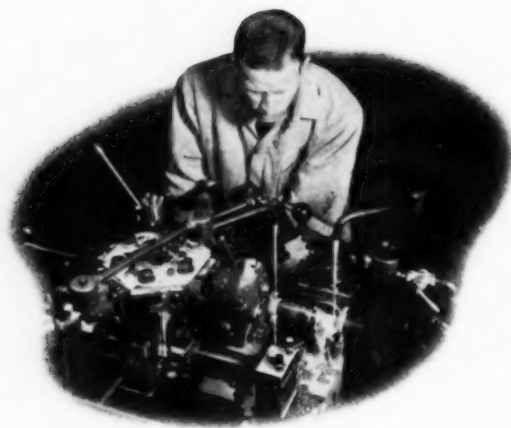
YEAR
AGO



Business watches the climb around that August curve where the 1940-model year starts.

BUSINESS
INDICATOR

PUBLISHED BY THE MCGRAW-HILL PUBLISHING COMPANY, INC. • TWENTY CENTS A COPY



LET'S LEAVE THE WAILING WALL *and* GET BACK TO THE SHOP

• **Worry** never solved anything; but there are mighty few problems that hard work can't beat. Waiting for something to happen doesn't make a thing any easier when it does happen—anticipation is always far worse than reality.

We don't know what's ahead but we *do* know the world isn't coming to an end.

Sure, taxes are high. So you have to cut costs to stay in business.

Sure, competition is tough. So you have to make a better product to hold your markets.

Sure, Europe is unsettled. But there's still business to be had in America and a good many other

places for the concern that makes a better product at lower cost.

You can't change economic law—there is always a market for a better product at a lower cost. New Warner & Swasey Turret Lathes (faster, more powerful, more accurate) can help you produce such a product.

Waiting for something to happen *is not the American way*. We know America's future is safe. We're investing our money in new equipment, to have a place in that future. Our new equipment helps us produce better turret lathes. And *they* can help assure *you* a place in the future. If your faith in America matches ours, we've got a machine and some ideas you'll want to see.

For Profits
MACHINE TOOL SHOW
CLEVELAND
October 4 to 13, 1939

**WARNER
&
SWASEY**
Turret Lathes
Cleveland

YOU CAN TURN IT BETTER, FASTER, FOR LESS... WITH A WARNER & SWASEY



Drink

Coca-Cola

Delicious and
Refreshing

5¢

Thirst asks nothing more

It's natural to get thirsty . . . and a frosty bottle of ice-cold Coca-Cola is the best friend thirst ever had. Enjoy one now, and get the *feel* of refreshment . . . pure refreshment . . . familiar to everyone.

COPYRIGHT 1939, THE COCA-COLA COMPANY

Complete Banking Service



A TOWER OF STRENGTH

BANKERS TRUST COMPANY

16 WALL STREET, NEW YORK

FIFTH AVE. AT 44TH ST. 57TH STREET AT MADISON AVE.

LONDON: 26 OLD BROAD ST.

Member of the Federal Deposit Insurance Corporation

THIS BUSINESS WEEK

THE LITTLE CAR whipping around the bend of the road, heading uphill, on this week's BUSINESS WEEK cover, is a particularly apt symbol of what's going on in the auto industry this month. The retail sales curve has taken a sharp turn up the corner. Production of 1939 cars and trucks is going to come close to the 3 million mark—which is 800,000 units better than 1938—and sales have been soaring—contra-seasonally, too—to new highs for the year in the past few weeks. The industry, as a consequence, is speeding up production and sales plans for the 1940 models as fast as it can. This week the regular, annual, "confidential" press previews got under way, and Packard, Hudson, Nash, and Willys-Overland, showing off their 1940 wares to newspaper and magazine editors, officially opened the new season. Some advance tips on what it's likely to bring are in the story, "Preview New Auto Models," on page 18.

Wind-Up

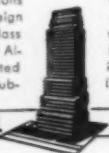
AFTER A LAST-MINUTE SCRAMBLE more hectic than usual, Congress gleefully washed off its slate last week and went home for the summer. Everything is not all over but the shouting, though—not by a long shot. In the last days of the session Congress lit into the Administration with a big stick, gave it the worst beating it could. Now that the fight's officially finished, Congressmen are going to try and find out whose side the folks back home were on. And President Roosevelt, trying to get an answer to the same question, is likely to start telling the people that the beating he took didn't hurt him nearly as much as it did them. What went on in the last weeks of Congress, and why, is in the story on page 15. A full-page table, "The Congressional Record," on page 16 lists briefly and completely what happened in the 1939 session that was important to business—what laws were enacted, what bills rejected, what bills held over.

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A McGRAW-HILL

PUBLICATION



Iowa Plan

WHEN A STATE CHAIN STORE TAX in Iowa was made to apply to filling stations, the oil companies there began operating under a system they called the Iowa plan. In addition to the chain tax, there had been social security levies, and a threat that the C.I.O. was going to organize service station employees. It was too much for the oil companies. They started turning their stations over to independent operators—first in Iowa, then in other states, too. But the trend toward the Iowa plan is being reversed now. There's a bill in state legislation against the gains for one thing, and unionization isn't such a bogey now. But most important of all, the men who were good operators for the oil companies didn't make good small independent business men. The story—"Iowa Plan" on Way Out"—page 27.

Probe

THE POWERFUL California land-owner group, the Associated Farmers, which gets plenty of combing over in two current best-selling books—John Steinbeck's "Grapes of Wrath," and Carey McWilliams' "Factories in the Field"—is going to have a real concrete worry soon in the form of an investigation by Sen. Bob La Follette's Civil Liberties Committee. Meanwhile, though, the A.F. is likely to get into a scrap with the farm and cannery unions—more than a scrap, in fact, a major engagement. What's coming up, and what the background of the whole California land-labor situation is—page 32.

Electrical Appliances

THE ELECTRICAL APPLIANCE INDUSTRY had a bad time of it in 1938. This year things are different. Electric refrigerator sales are up 53%. Washing machines are up 39%. Electric ranges are up 18%. Water heaters are up 47%. Electric roasters and dish-washers are comparatively new items that are now getting a nice play. The story—"Appliance Sales Boom"—page 28.

Television

THERE HASN'T BEEN MUCH television talk since manufacturers began to put receiving sets on sale last April 30. What's been happening in the field since then, how television was making news again this week, and why only 800 sets have been sold out of a total of 5,000 manufactured—page 24.

Men's Wear

MEN'S CLOTHING MANUFACTURERS start to appraise their prospects for the fall season along about the first week in August. When they finished up last week they decided that, even if the year wouldn't set any new records, it was going to show the biggest sales since the good old days of 1929—page 19.

WHY ANTI-FRICTION BEARINGS?

To reduce maintenance

ONLY ONE REPLACEMENT IN 150,000 INSTALLATIONS, THANKS TO NEW DEPARTURE BEARING DEVELOPMENT

The automobile makers who adopted the New Departure Fan and Pump Bearing, when it was offered as another "new departure" in 1937, report literally phenomenal service records. One company, with 150,000 cars in the field, had only one replacement of these bearings reported the past year.

Nor is this case exceptional at all. Throughout industry, with machinery of all kinds, users know from experience that New Departure ball bearings do reduce maintenance costs. That is why more machinery manufacturers use more New Departures every year.

To secure the interesting brochure, BW4, "Maintenance Can Be Reduced," write to New Departure, Division General Motors Sales Corporation, Bristol, Connecticut.

**124,000 MILES!
NO LUBRICATING!
NO ADJUSTING!
NO MAINTENANCE
EXPENSE!**

The New Departure Self-Sealed Fan and Pump bearing, illustrated here, was in good condition after 124,000 miles on the highways for a Kansas City-Memphis trucking company—original lubricant in good shape, seals still tight and no maintenance required.

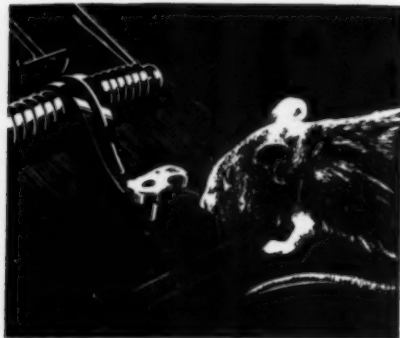
NEW DEPARTURE



BALL BEARINGS

Nothing Rolls Like a Ball





They Built a Better Mouse Trap... and ERIE BEAT A PATH FROM THEIR DOOR

● Let a man build a better mouse trap and the world will beat a path to his door. But now Emerson's proved wrong! A large trap manufacturer in eastern Pennsylvania is building better mouse traps. But they trust Erie to beat the path from their door!

You may think a carload of mouse traps is an unusual load. But every minute of every day Erie handles unusual loads. Speeding east and west a diversity of products that makes the variety of a mail order catalog suffer by comparison.

What's your freight? Perishable fruit, gigantic transformers, fragile glassware? It makes no difference. Erie will beat the path from your door to the world. And chances are you'll save money with the fast, safe, economical service that's made Erie "First in Freight."



NEW BUSINESS

Making Money

GLIDDEN Co., miller, will spend \$340,000 to build a million-bushel soybean elevator in Chicago.

In the past 10 years, Joseph Spiess Co., department store, Elgin, Ill., has made six times as high a proportional profit on its wash dresses as on the costlier kind.

Automatic Transportation Co., Chicago, pioneer manufacturer of electric industrial trucks, tractors, and cranes, has received what is considered the largest single order placed in this industry since the World War... It's an order for a quarter of a million dollars' worth of industrial electric trucks—and the buyer is the Russian government.

What's New?

PHILLIPS PETROLEUM Co., announces that it will soon be producing a hitherto rare hydrocarbon called neohexane in commercial quantities, "at prices which will enable it to be used as a basic ingredient of aviation gasoline having octane numbers higher than any heretofore used"... Till the end of 1938, the total known world accumulation of neohexane was only five gallons; now Phillips already has 200 gallons in storage, and by the first of the year it expects to be producing enough neohexane for all demands.

Chr. Hansen's Laboratory Co., Little Falls, N. Y., offers Junket Quick Fudge mix, a dry powder which, if you add water and butter, makes fudge or chocolate-cake icing in four minutes.

Our Times

FARNSWORTH TELEVISION & RADIO CORP. is moving its executive and sales departments, personnel, and research laboratory from Philadelphia to Fort Wayne, Ind.

Nine mushroom growers and canners from all parts of the country have organized the Cultivated Mushroom Institute of America, Inc., 369 Lexington Ave., N. Y., and expect to make a co-operative merchandising drive on canned mushrooms.

The Texas Mexican Railway will become the first wholly dieselized American railroad—at a cost of \$418,000, the price of six diesel-electric road engines it is buying from Whitcomb Locomotive Co., a subsidiary of Baldwin.

Adhibitions

FOR PRACTICALLY everybody nowadays, wallpaper is just wallpaper—you don't identify any brand... But United Wall Paper Factories, Chicago, whose five factories are said to turn out one-fifth of the national production, are about to end this anonymity by launching the largest

advertising campaign in the history of the industry.

Here's a chain letter recently received by Walter Butcher, vice-president of the Bayless-Kerr Co., Cleveland agency:

RENO PROSPERITY CLUB FAITH HOPE CHARITY

This chain was started in Reno in the hope of bringing happiness to all. Unlike most chains, this one does not cost any money. Send a copy to five male friends, then bundle up your wife and send it to the person that heads the list. When your name works up to the top of the list, you will receive 15,625 women.

Sales Strut

CHARLES MAYER & Co., Indianapolis department store, shows a slip-covered room—with slip covers on everything, even the walls and draperies... And customers like the idea and order slip-covered rooms.

Pequot Mills, Salem, Mass., are running a prize contest in which advertising managers and sheet buyers of retail stores will devise newspaper ads based on the theme, "Five Extra Values in Pequot Sheets."

And Brown Shoe Co., St. Louis, will promote its Air Step shoes by running a prize contest in which women will be invited to fashion their own shoe styles.

She Stuff

"EVERY WOMAN in the land, from little girls to old ladies, is part of the mirror market. Not one of them has enough mirrors," said Carlton K. Matson, public relations director of Libbey-Owens-Ford Glass Co., at the annual meeting of the Mirror Manufacturers Assn.

The Hertz department store in Terre Haute, Ind., uses its corset department to assist in the sale of stockings... When a woman is being fitted for a girdle or a corselette, she is measured for her stocking length, and then is given a card bearing the measurement and is referred to the hosiery department.

Miss Emma Lou Fetta, press chairman of The Fashion Group, has written a detective story, "Murder in Style," which the Crime Club, Inc., is about to publish.

Add What's New?

"SCULL COFFEE, Ready to Drink," is offered by William Scull Co., Camden, N. J., with the slogan, "No Muss! No Fuss! No Coffee Pot!"... Nor are there any grounds to dispose of.

A new quinine tonic that can also be used in mixing gin drinks is being introduced by White Rock Mineral Springs Co., bottler of White Rock Mineral Water... The tonic is called Q 9, and can be used as a mixer without adding fruit juice, because it contains citric acid.

WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau)

Improvement of business without benefit of the spend-lead bill, the piling of bumper crops on top of swollen carryovers, and the prospect that the coalition of Republicans and conservative Democrats may upset more New Deal apple-carts next January are combining to spur Roosevelt in his search for a new political formula. Call it a new rabbit from a new hat if you like, but what the President needs is something to accomplish three objectives:

(1) Make the Administration the leader in the improvement of business—do something to make it appear that the gains are being scored because of, rather than in spite of, the New Deal.

(2) Work out a new and dramatic way of handling the farm surplus and low farm price situation—subsidies, for example, or, better yet, some vast amplification of the food-stamp plan for moving surpluses in a way that would bring an obvious oversupply into economic balance with an obvious need.

(3) Divert Congress from its evident intention to undo New Deal reforms by giving Congress something new to fight over—but not at the risk of another major defeat on the eve of the conventions and the election campaign.

If Roosevelt can find answers to these three problems, he may have the political bear by a nose-ring instead of by the tail next winter.

More and Higher Taxes

IT LOOKS LIKE TERRIBLE POLITICS, with an election so close at hand, but the Administration apparently is getting set to push down income tax exemptions next session. Politics may finally prevail but there's no gainsaying the fact that Henry Morgenthau needs the money—badly.

Time was when Sen. Bob La Follette was all alone in advocating exemption cuts—a move that would not only bring in a lot of new taxpayers but increase the tax paid by everybody now on the list. However, Bob has apparently won the President over.

Kick on Kicking In

AMENDMENT OF THE HATCH BILL is being quietly urged by government clerks. They want a ban on soliciting of funds for any purpose by their bureau chiefs. They particularly object to the distribution of prepared forms for them to fill out—a stunt that carries the implication that their action either in kicking in or

failing to will be cherished for or against them by their superiors.

Latest grievance is a form asking Department of Agriculture clerks to contribute to the Roosevelt Library at Hyde Park. Elwood H. Seal, corporation counsel for the District of Columbia, inspired the "raid."

Walsh-Healey Hit

FIRST COURT TEST of the Walsh-Healey Act has backfired on the Labor Depart-

Analyst



Pinchot

Dr. Gardiner Means, an ultra Brain Truster who doesn't mix with the Corcorans and Cohens, any more than his colleague Adolf Berle does, is on a holiday in Sweden trying to forget about this country's economics. But before leaving, Dr. Means completed a 2-year job of analyzing the structure of American economy. The study, which will be published in September, will analyze the organization of industry and government and outline the utilization of our national resources in satisfying American consumer wants. Deep stuff, maybe, but so was "The Modern Corporation and Private Property" (Macmillan), which has become a standout on the "must" reading list of economic and business literature. Those who have had a look at the new book say it's just as much of a wow. In it you will get a striking picture of the behavior of prices in a free economy.

ment and the C.I.O., which looked to the 62½¢ minimum wage prescribed for Eastern mills as a crackdown weapon to use against Bethlehem Steel and other companies. The District of Columbia Court of Appeals holds that seven small Eastern independents have a good cause of action. Their argument is that Sec. Perkins has exceeded her authority. You can expect the case to go to the Supreme Court.

C.I.O. Loses in Kentucky

JOHN L. LEWIS'S ATTACK ON Garner was made when he expected to show C.I.O.'s political strength over the A.F.L. in the Kentucky gubernatorial primary.

Remember how cocky John L. was when he renominated Sen. Barkley over "Happy" Chandler last year? Well, Lewis had the Barkley machine with him this year, and was all set to show up Bill Green and the state administration, which has been interfering with the United Mine Workers' operations in Harlan county. But Chandler's candidate, Lieutenant-Governor Johnson, who had made Lewis so mad in "Bloody Harlan," romped away with victory.

In Line with Past Performance

THIS MAKES THE RECORD for the last three years pretty nearly 100%, as far as C.I.O.'s losses are concerned whenever the A.F.L. has deliberately tried to spike its guns in a primary. And C.I.O.'s record isn't too impressive even in those contests where labor has been united or where the A.F.L. has been neutral.

This is the sort of thing that will be swinging votes on Capitol Hill until something else happens to prove the current has changed.

Playing up to A. F. L.

NLRB KNOWS A HAWK from a handsaw when it comes to publicity.

Handouts which announce decisions favorable to Bill Green's outfit now are headed: "American Federation of Labor Wins Decision," while those favorable to C.I.O. are headed: "Stipulation Settles Labor Dispute".

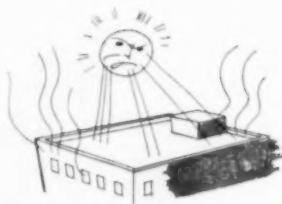
Monetary Study Trimmed

REDUCTION from \$500,000 to \$100,000 and finally to \$25,000 in the authorization for studying and developing a national monetary and banking policy is a sore disappointment to Gov. Eccles of the Federal Reserve who hoped for big things out of Sen. Wagner's investigating committee.

With the help of the Federal Reserve staff, however, the Senate committee may be able to make a sufficiently good showing by next January to wangle more money for the job. Little enthusiasm is

KOPPERS WATER-COOLED ROOFS

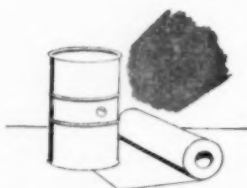
CUT TEMPERATURES
10 TO 20° ON TOP FLOORS



ON HOT SUMMER DAYS the top floors of buildings with flat roofs are even hotter than the outside atmosphere.



WATER ON FLOODED ROOFS reflects some of the sun's rays, and evaporation of the water dissipates some of the sun's heat . . . and makes top-floor rooms or offices COOLER than the outside air.



BUILT-UP ROOFS of Koppers Coal Tar Pitch and Tar-Saturated Felt can safely be flooded because they are not damaged by contact with water.

LET KOPPERS SOLVE *Your*
PROBLEMS

Koppers also solves many other problems for industry. Call in a Koppers engineer if your problem involves: Coal and Coke, Coal Preparation Systems, Coke and Gas Plants, Purification and Recovery Equipment, Boiler and Industrial Electric Power Stations, Industrial Chemicals, Creosote, Municipal Incinerators, Castings, Special Machinery, American Hammered Piston Rings, D-H-S-Bronze, Fast's Couplings, Materials-handling Systems, Pressure-treated Timber Products, Tarmac Road Tar, Waterproofing, Bituminous-base Paints, Ships, Barges.

Koppers Company, Pittsburgh, Pa.

K O P P E R S

apparent in the Federal Deposit Insurance Corp., which Gov. Eccles hopes to gobble up and thereby enable a single federal agency to supervise almost all means of inflating or deflating credit.

Lower Loans to Lenders

LOOK FOR A reduction in interest rates by the federal Home Loan Banks on advances to building and loan associations to help them meet the competition of the recent rate reduction on FHA-insured mortgages from 5% to 4½%, plus the insurance premium of ½%. Building and loan associations now are able to borrow from regional Home Loan Banks at 3% to 3½%. This rate isn't low enough to permit them to meet FHA's terms and still keep their spread of 1½% to 2%.

Gold for Tin?

WITH THE NAMING of the six civilian members of the new War Resources Board to act as an advisory committee to the Army and Navy Munitions Board, special significance was attached to the arrival by plane on Thursday of the Finance Minister and the Minister of Mines from Bolivia. Big question in Washington: Are we planning to trade gold for Bolivian tin, one of the war resources which we lack almost completely?

No Free Hand for Air Corps

BACK OF THE DEFEAT of the War Department's request to Congress for power to negotiate purchase of aircraft without competitive bidding is the Army's tragic failure to fly the mail. Following that fiasco, the Administration made a face-saving attack on Maj.-Gen. Benj. D. Foulois, then chief of the Air Corps, blaming the trouble partly on the Army's negotiations for purchase of planes. Hence, the Administration couldn't put full pressure behind a demand to legalize a practice previously condemned.

Congress also refused to compromise by authorizing award of plane contracts to second and third low bidders, but the War Department is getting ready to invoke similar authority under a 1926 law. This will hasten expansion but won't help small firms unable to bear the heavy cost of developing new models.

Skiping Around Mexico

AFTER MEXICO CONFISCATED American-owned lands and oil properties, a clique of brash Hispanos cast a covetous eye on other Gringo interests, including Pan American Airways. The situation became so alarming that Pan American countered by threatening to by-pass Mexico on its way to South America.

PAA is now planning a line straight across the Gulf between New Orleans and Merida, Yucatan—just in case.

Trouble comes double. In New Orleans, Pan American encountered a gang of politicians who used to run with Long and who tried to cut themselves in on the terminal arrangements.

Hot Summer Schedule

Congress left a boiling pot behind it. Keep your eye on:

The House study of taxation looking to further revision next year.

House investigation of the National Labor Relations Board to put more steam behind the Wagner Act amendments.

The Civil Liberties probe by the La Follette committee, which will issue soon its indictment of the National Association of Manufacturers and proceed to haze the Associated Farmers of California (page 32).

Skirmishing by the Federal Reserve, the Treasury, and the Federal Deposit Insurance Corp. to dominate the Wagner Banking Committee in its effort to formulate a coherent national monetary and banking policy.

Continued agitation for wage-hour amendments, sharpened by a statutory increase in the minimum wage rate to 30¢ and a reduction of the work-week to 42 hours starting Oct. 24.

Formulation of some new spending plan by Roosevelt, spurred by a wide demand for a new lump of money for relief and for stoppage of cuts in WPA rolls.

The Dies committee's continued strafing of "un-American" activities.

Extension of the food-stamp plan to cotton goods in the fall.

Development of census plans for 1940, including a national survey of housing conditions.

The organized effort of the United States Housing Authority to build popular support for expansion of the slum clearance program, rejected by the House last session.

Arnold's anti-trust drive, particularly his efforts to break prices of building materials, also to step up competition in the oil and movie industries by continued harassment of major companies.

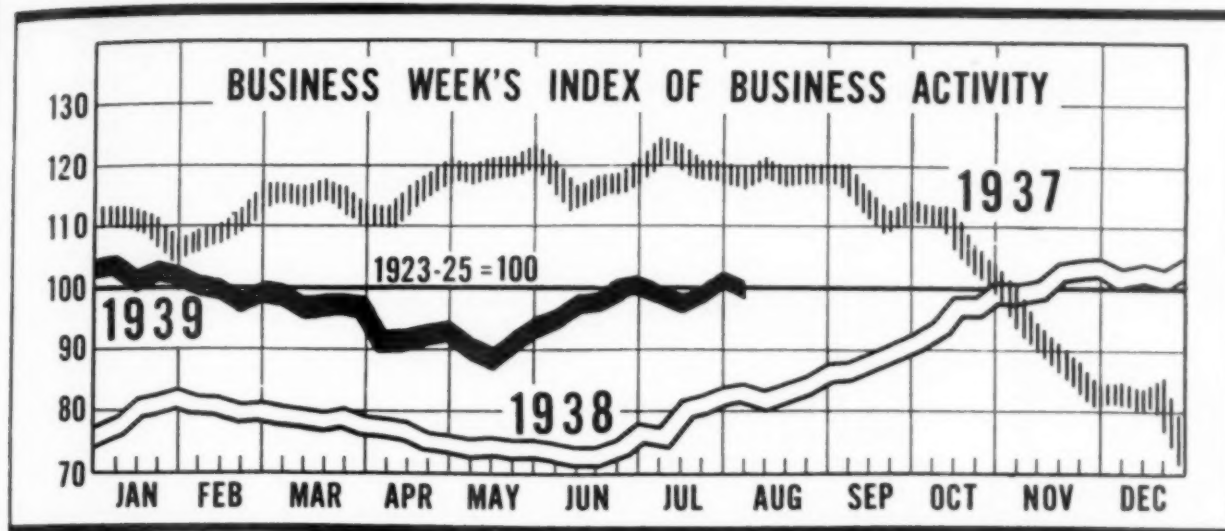
Ickes' efforts, through a House investigation, to extend federal control over oil production.

ICC's nation-wide investigation of freight moving on class rates.

SEC's probe of the investment policies of insurance companies and of their control over the capital market which will be spread on the record of the Temporary National Economic Committee.

Action by the Justice Department to curb any illegal price-fixing, under the cloak of the fair trade laws.

THE FIGURES OF THE WEEK



THE INDEX

PRODUCTION

	Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
* Steel Ingot Operations (% of capacity).....	60.1	59.3	49.7	53.4	39.4
* Automobile Production	28,250	40,595	42,784	76,410	14,771
* Residential Building Contracts (F. W. Dodge, 4-week daily average in thousands).....	\$4,520	\$4,571	\$4,318	\$3,279	\$3,502
* Engineering Construction Awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$8,660	\$7,975	\$7,739	\$8,564	\$9,485
* Electric Power Output (million kilowatt-hours).....	2,325	2,342	2,078	2,287	2,116
Crude Oil (daily average, 1,000 bbls.).....	3,909	3,539	3,530	3,442	3,318
Bituminous Coal (daily average, 1,000 tons).....	1,243	1,191	1,123	1,427	986

TRADE

* Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	68	60	69	61	62
* All Other Carloadings (daily average, 1,000 cars).....	42	42	42	38	36
Check Payments (outside N. Y. City, millions).....	\$4,412	\$3,977	\$4,129	\$4,063	\$3,965
Money in Circulation (Wednesday series, millions).....	\$7,054	\$7,002	\$7,100	\$6,663	\$6,465
Department Store Sales (change from same week of preceding year).....	-1%	+8%	+3%	-1%	-11%

PRICES (Average for the week)

Spot Commodity Index (Moody's, Dec. 31, 1931=100).....	140.8	141.9	142.2	143.0	144.7
Iron and Steel Composite (Steel, ton).....	\$35.90	\$35.87	\$35.81	\$36.35	\$36.49
Scrap Steel Composite (Iron Age, ton).....	\$15.42	\$15.17	\$14.79	\$14.88	\$14.33
Copper (electrolytic, Connecticut Valley, lb.).....	10.479c	10.292c	10.169c	11.250c	10.125c
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$0.67	\$0.62	\$0.69	\$0.70	\$0.67
Sugar (raw, delivered New York, lb.).....	2.85c	2.90c	2.90c	2.78c	2.75c
Cotton (middling, New York, lb.).....	9.56c	9.70c	9.93c	9.02c	8.47c
Wool Tops (New York, lb.).....	\$0.872	\$0.874	\$0.863	\$0.869	\$0.813
Rubber (ribbed smoked sheets, New York, lb.).....	16.67c	16.58c	16.40c	15.73c	16.00c

FINANCE

Corporate Bond Yield (Standard Statistics, 45 issues).....	5.63%	5.58%	5.69%	5.72%	5.75%
U. S. Bond Yield (average of all issues due or callable after twelve years).....	2.14%	2.14%	2.18%	2.45%	2.51%
U. S. Treasury 3-to-5 year Note Yield.....	0.42%	0.43%	0.47%	0.63%	0.70%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate).....	$\frac{1}{2}$ - $\frac{5}{8}$ %	$\frac{1}{2}$ - $\frac{5}{8}$ %	$\frac{1}{2}$ - $\frac{5}{8}$ %	$\frac{1}{2}$ - $\frac{5}{8}$ %	$\frac{3}{4}$ %
Business Failures (Dun & Bradstreet, number).....	208	227	162	255	249

BANKING (Millions of dollars)

Demand Deposits Adjusted, reporting member banks.....	17,462	17,601	17,109	16,046	14,951
Total Loans and Investments, reporting member banks.....	22,244	22,135	22,000	21,442	20,560
Commercial and Agricultural Loans, reporting member banks.....	3,887	3,899	3,872	3,767	3,665
Securities Loans, reporting member banks.....	1,181	1,209	1,192	1,327	1,176
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	10,756	10,682	10,635	9,962	9,301
Other Securities Held, reporting member banks.....	3,322	3,259	3,223	3,247	3,094
Excess Reserves, all member banks (Wednesday series).....	4,460	4,490	4,292	3,478	2,924
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,476	2,512	2,569	2,582	2,574

STOCK MARKET (Average for the week)

50 Industrials, Price Index (Standard Statistics).....	114.6	116.9	108.8	120.7	125.4
20 Railroads, Price Index (Standard Statistics).....	28.3	29.0	26.5	30.3	30.5
20 Utilities, Price Index (Standard Statistics).....	72.4	72.2	66.0	69.5	61.5
90 Stocks, Price Index (Standard Statistics).....	94.6	96.2	89.3	98.4	100.2
Volume of Trading, N. Y. Stock Exchange (daily average, 1,000 shares).....	652	1726	450	718	939

* Factor in Business Week Index. *Preliminary, week ended August 5th. † Revised. ‡ Date for "Latest Week" on each series on request.

**\$6,000 COST OF NEW EQUIPMENT
RETURNED IN 18 MONTHS**

**\$8214 INVESTMENT
REPAID IN ONE YEAR**

**Spent Once
Saves \$4998 Each Year**

**New Equipment Costs \$5,000
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Any reputable equipment will operate—but you obtain the greatest profits possible only when the correct equipment is skillfully applied to your job.

Any reputable equipment will operate—but you obtain the greatest profits possible only when the correct equipment is skillfully applied to your job.

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REDUCED COSTS... INCREASED PROFITS

The surrounding headlines show how numerous manufacturers have found that one way to reduce costs is to seek profitable changes in their manufacturing processes and equipment. These same manufacturers have also found that only the *right* kind of changes pay.

These right kind of changes are not always obvious . . . they are the result of investigation and careful study.

It may pay you, just as it has paid others, to start—today—a *new* search for hidden opportunities in your plant. General Electric engineers are experienced in the application of electric equipment to industrial needs and will be glad to discuss with you, or with your consulting engineers, any problems for which an electrical solution may be practical. Call the G-E sales office nearest you, or write General Electric, Schenectady, N. Y.

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CAPITAL EXPENDITURES**

Any reputable equipment will operate—but you obtain the greatest profits possible only when the correct equipment is skillfully applied to your job.

GENERAL ELECTRIC

011-088

BUSINESS WEEK

August 12, 1939

THE BUSINESS OUTLOOK

Glowing reports throughout the country are well-sustained by statistics, but early auto changeover has pushed business a little ahead of itself. Speculators await fall test of upturn. Foreign markets watch Hitler.

SECRETARY OF COMMERCE HOPKINS' statement this week that business is good just about makes it unanimous. Reports from steel centers, automobile dealers, textile communities, and wholesale markets like New York, Chicago, and Dallas, glow with "prosperity." It all seems just a bit too good to be true—so much so, indeed, that some traders in Wall Street have been "coppering the consensus." On the theory that the crowd is always wrong, they've been selling short.

Rounded Strength

The fact is, of course, that business is much better than expected. Since the low of mid-May, industrial activity has recovered 12%, and the advance has been both steady and well-diversified, covering durable goods as well as non-durable goods production (BW—Aug 5 '39, p. 9). Merchandise sales have been well sustained, and domestic automobile purchases in July far outstripped production—290,000 to 170,000—leaving dealers in a comfortably-stocked position. Steel is holding nicely at a 60% operating level, and the railroads are beginning to skim a little earnings from the rise in carloadings. Further, there's an increasing willingness on the part of purchasing agents to order ahead. So, all in all, it's a nice optimistic picture. But it has a sober side.

Business Ahead of Itself

For the time being, the advance in business will be slower. Already the BUSINESS WEEK index has flattened out around the 100 mark, and the next big spurt awaits the completion of the automobile changeover from 1939 to 1940 runs. To the confusion of statisticians, most business indexes will probably tend to dip this month, only to be followed by big jumps in September. That's because they've been adjusted for a decline in auto output in August, a bottom in September, and a steep rise in October. Instead, the shift in the seasonal comes a month earlier this year. So, in making business calculations, don't

be overwhelmed if the index reaches 105 rather suddenly. Just remember that business is a month ahead of itself this year.

On Borrowed Time

Once automobile production gets into full swing this fall, business will be vulnerable to a setback—more vulnerable, say, than 10 weeks ago, when the index was down as low as 95. When new models come out, a certain sales stimulation results—after which purchases of new motor cars settle down. The effect of this year's production shift, then, is to borrow from the future—to sell in September and October

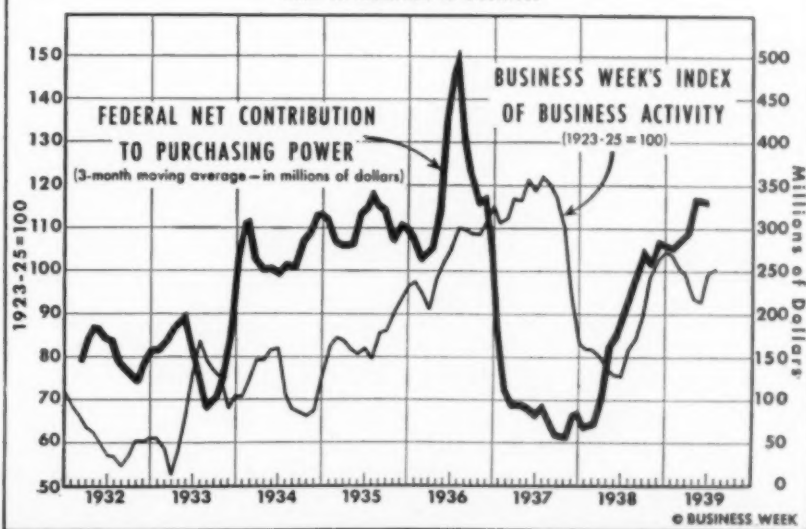
automobiles which otherwise would have been sold along about the usual show time, in November. Naturally, this borrowing has backed up to the multifarious suppliers of auto manufacturers and contributes to the business bulge.

War and a Fall Upturn

The stock market is taking this into account; it has been listless since its rhapsodic rise in the middle of July. Speculators apparently are waiting to see what's what in the way of fall industrial upturn. Strangely enough, British traders are likewise not bidding for shares, despite the fact that the United Kingdom is in the midst of a business rally which finds numerous production bottlenecks; the Imperial Airways, for instance, has stopped taking bookings, because it hasn't enough planes and cannot get additional ones; airplane factories are jammed by military orders. The Paris Bourse also has been any-

VERY MUCH IN THE OUTLOOK—FEDERAL SPENDING

And Its Relation to Business



Does government spending help business? Here are some of the data needed for an answer, showing: (1) That industrial activity picked up in 1938 after a big increase in government contributions to purchasing power; (2) that during 1934, '35,

and '36, fluctuations in spending did not correspond too closely with business; (3) that the effect of the bonus (peak above) lasted a year. Not answered by the chart: Does government spending hurt business—by inhibiting private investment?

thing but excited over the recovery in France. Clearly, speculators and investors are waiting for the end of September—waiting to see if the traditional harvest season passes without a war "incident."

Any new war scare, of course, could easily shock confidence and drop business indexes, say, from 5% to 10%. But the longer-term trend is still upward—

barring actual war—essentially because domestic business has not been at a high enough level long enough to develop serious internal maladjustments, as in 1937; as yet, inventories are not excessive; there has been no wild inflation buying of commodities, and operating costs have not been kited by high wage demands. Indeed, reports of corporations for the second quarter indicate that

profits have been improved nicely by economies in running expenses.

There is one growing maladjustment to be watched, however. Farm income is holding up largely because of benefit payments, and continued price declines are bound, eventually, to cut down agricultural purchasing power—government loans and government benefits notwithstanding.

The Regional Business Outlook



PHILADELPHIA—Business in this—the second most congested Federal Reserve district: 8,009,000 people in 36,836 sq. mi.—broadened out significantly this week and last as durable goods factories expanded output and took on men. Already non-durable goods industries—clothing, paper, knitgoods, etc.—had made their turn. The combination has produced a fairly rounded recovery with payrolls attaining the best levels since 1937.

Several industries—textiles, leather, building materials, paper and chemicals—are in the market for new plant and equipment—in a sudden rush to get capacity to cope with new orders. Increased activity in shipbuilding, steel, and railroad equipment led the advance in the heavy lines, and now, based on backlogs and the rate of new orders, it is generally expected that the current level of industrial activity will persist at least into the first half of September.

There has been a slight drop in retail sales, but merchants are generally bullish on the fall business outlook, notwithstanding two specifically bearish factors:

1. Anthracite is now selling at the lowest prices since the World War and there is danger of curtailment of production.

2. Drought has inflicted severe agricultural losses throughout the region, and farmers are using winter forage because of poor pasture.

But farm income constitutes only a tiny fraction of total income for the Third Federal Reserve district and higher manufacturing operations and employment more than offset the dolorous state of affairs in the anthracite mining regions.



CHICAGO—Right now business in this most populous of Federal Reserve districts—18,863,000 people (190,513 sq. mi.)—is good: very good, compared with last year. But business men are not counting their 1939 profits on first seven months' promises. They're watching automobile sales this fall and farm prices.

So far this year, contra-seasonal gains in automobile and steel production have kept employment and payrolls at much higher levels than in 1938. As a result, retail sales have been better-than-average in recent weeks, and buyers at wholesale showrooms have made liberal commitments.

However, it is generally conceded that most of this forward buying is based on the expectation that 1940 would produce another good automobile year—a 10% better year, say, than 1939. So, if sales of 1940 models fail to come up to hopes, a lot of midwestern stores may have inventory markdowns later this year—particularly stores in rural areas.

To date, farm income has held at last year's levels only because of government benefits. But continued weakness in hog prices threatens to cut seriously into cash receipts of Iowa farmers this fall; Wisconsin's dairying industry also suffers from low prices.

This region, however, is the heart of the durable goods industries, as well as the heart of the corn belt. And continued strength in durable goods production and a fairly good automobile year would more than offset the mediocre farm showing. Indeed, that's why Chicago business men, when they want to find out which way the wind is blowing, look toward Detroit, not Des Moines.



SAN FRANCISCO—Despite foreign, political and labor uncertainties, business sentiment in this largest of Federal Reserve districts—683,852 sq. mi. with a population of 10,244,000—has taken a turn for the better in recent weeks under the pervasive influence of the upswing in business generally.

Employment and payrolls have improved steadily in the last several months and industrial activity is running from 5% to 10% ahead of a year ago, as the result of: (1) the military boom in airplane production; (2) moderate gains in furniture, cement, clothing, and motion pictures; (3) better-than-seasonal expansion in lumber production in the Pacific Northwest (stimulated by nation-wide residential building activity); (4) higher copper and silver prices which have lifted mining in Nevada, Idaho, Utah and Arizona.

Retail trade turned up in July and the Golden Gate Fair has increased travel, but agricultural prospects for the fall are not satisfactory. That, combined with threats of more ham and eggs pension schemes, disruption of trade with Japan, and waterfront difficulties next month, has created an understandable hesitancy to undertake large forward commitments.

Though an outright break with Japan is improbable, the mere possibility causes nervousness because it would virtually ruin the vital Pacific Coast shipping industry, besides depriving California of a major customer for petroleum and cotton. Citrus fruit growers are having low-price trouble and livestock and general crop returns are just fair-to-middling. Only the AAA's more bounteous benefits have kept farm income up to 1938 levels.

Congress Checks Up at Box Office

What the voters have to say about that dramatic first act in its fight with Roosevelt will largely determine what will happen when the climax comes next session.

WASHINGTON (Business Week Bureau)—Congress has gone home but the show's not over. Only the first scene. Congressmen now will try to find out what you as part of the general public think of the stick laid on the Administration's backside in the last free-for-all days of the session. Roosevelt, also trying to find out, may soon be telling you that what Congress did hurts you worse than it does him.

On the basis of the apparent sentiment Congress will determine its behavior next session. Depending on the country's reaction, Congress may yield or Roosevelt may try to close the Democratic breach into which House Republicans walked last week. The thing to bear in mind is that next session will bring last session's drama to its real climax, and the coalition of anti-Administration forces will not hold if even a small number of the Democratic Congressmen who have flouted Roosevelt and voted with the Republicans find out back home that too many voters aren't pleased.

House Wielded the Cudgel

Political soothsayers are struck by the fact that it was the House, not the Senate, which really pushed the Administration around. They say the reason might be that the House this last session was "closer to the people", for its entire membership came to Washington on votes cast last fall. In the Senate, the turn-over was, of course, only one-third. In addition, House Republicans were well organized under the smart generalship of Joe Martin, minority leader, while in the Senate, McNary had to deal with a bunch of individualists whose party allegiance is, let's say, flexible. For instance, Borah, Frazier, Nye, and Johnson of California.

Except that his power had once been so great, the spot into which Roosevelt was jostled was not unusual for Presidents nearing the fag end of their second term. The New Deal has been caught by the undertow of inevitable reaction, and, as a matter of fact, Roosevelt has resisted the swing rather successfully. At the outset of the session last January he declared that there would be no retreat from reforms wrought by the New Deal since 1933. Any further advance may have been stopped, but it is a matter of record that, except on taxes, there has been no retreat yet. He has succeeded, so far, in staving off relaxing of the Wagner Act and the wage-hour

law, although he couldn't ditch what is expected to be a hostile investigation of the Labor Board. On the other side of the ledger, the Senate has given La Follette another \$50,000 to continue operating his incubator of civil reforms. Enemies of the labor laws may get their innings next session, are confident that they will, if John L. Lewis further outrages conservative Congressmen. The temperature of the wage-hour issue also will be raised by the jump from 25¢ to 30¢ an hour, combined with a cut from 44 to 42 hours a week, effective Oct. 24.

No, there's been no retreat—yet. Roosevelt's reverses can be traced principally to tactical blunders—first, to his assertion that there was no room in the Democratic party for anybody except New Dealers, then to the purge which succeeded in defeating only John O'Connor of New York, chairman of the powerful House Rules Committee. This was a distinctly hollow victory, for the reins fell into the weak hands of Rep. Sabath, from whom they were seized by Cox of Georgia, who has checkmated the Administration's leaders in the House.

The attempt to cover up political manipulation of WPA, involving Harry Hopkins and Barkley, the Senate leader, resulted in another reverse—an investigation that revealed facts which a loyal New Dealer, Sen. Sheppard of Texas, realized could not be suppressed. This

led to the Hatch bill, which conservative Democrats under Garner's leadership quickly seized upon to pull down the President's political control.

As for the money, which anti-New Dealers charge is the root of Roosevelt's power at the polls, the Congress may not have voted enough of it, even considering the liberality which the Senate evinced in undoing the economy work of Rep. Woodrum. Congress appropriated about \$12,500,000,000 with some chiding from the White House, as compared to \$11,360,000,000 last session but the outlay for national defense, about which there was little cavil between the White House and Capitol Hill, accounts for more than \$2,000,000,000 of the 1939 total. The money will be soon gone, with no spend-lead program to lean on.

No Counter-Offensive Now

Roosevelt says he's not going to take his case to the country—right now, anyway—but his spirited claim this week that he won an ultimate victory in the historic Supreme Court fight, coupled with his press conference charge that Congress was on the spot, belies the apparently docile attitude he manifested when the House rejected the spend-lead bill. He didn't berate the House, but simply claimed that its action would check progress to recovery. In acknowledging the right of Congress to legislate, he implied that it also had the right to be mistaken, but he didn't get nasty. Some Washington observers think maybe this is a symptom that he doesn't propose to help the Republicans sink the Democratic party in 1940. In their opinion, the split in the party is not beyond repair. On the other hand, if Roosevelt should decide it was expedient for him to talk to his many friends about how Congress done 'em wrong in rejecting



Right through the breach in the Democratic Party walked the House Republican leaders—Representatives Englebright (whip), Martin (minority leader), and Plumley (assistant whip)—to roughhouse Mr. Roosevelt.

the spend-lead bill, he would have an issue cut to measure. There are unquestionably a lot of folks who weren't disturbed about the House action that could easily be riled when told that they had lost new housing for slum dwellers, new homes for tenant farmers, hospitals, etc.

On the spend-lead bill, Congress was

suspicious of diverting private capital to uses determined by the government by means other than taxation. It was afraid that once the principle was established, circumstances might direct the spending of more and more borrowed money into channels directly competitive with private industry. But the principle

of the thing didn't bother Congress as much as the way Roosevelt tried to put it over. Here was another bill which was something new from the clever Brain Trusters, when the President had promised that he would not spring anything more. Most Congressmen simply refused to stomach a plan they suspected of

The Congressional Record

What Happened in the 1939 Session That's Important to Business

Laws Enacted

Taxes—This year's action finally wiping out the undistributed profits tax on corporations has been heralded as only a preliminary to more extensive overhauling of taxes, including personal income levies next session, but despite recess work by the Treasury and a House subcommittee, it will be surprising if Congress in an election year consents to pass any important tax legislation.

National defense—A peace-time record of over \$2,000,000,000 was appropriated by Congress. Navy and air force benefit particularly. This program is the President's principal weapon in attempting to stay the hand of aggressor nations.

Relief—WPA's sails were trimmed about as closely as they are likely to be in any Administration. However, the appropriation of \$1,477,000,000, one-third less than last year, probably will have to be supplemented by Congress next winter. Having established the 130-hour month as standard for payment of WPA's "security wage," Congress in its closing days successfully withstood the pressure of the A. F. of L. for continuing the old practice of paying the prevailing wage rates which skilled labor would receive on private jobs.

Government reorganization—This issue, on which Congress split with the President last year, was compromised this year by granting him abridged authority. There was practically no congressional criticism of the manner in which he used his new power to consolidate scattered bureaus in new Federal Works, Loans, and Security Agencies.

Hatch Law—An outgrowth of the investigation of politics in relief, this measure bans political activity by federal officeholders, bars them as delegates to national conventions, and prohibits all political traffic in WPA.

Agriculture—Total of \$1,500,000,000 was appropriated for the farm program, including a special item of \$113,000,000 which will be used in large part to subsidize cotton exports. This makes possible United States' first excursion into cotton dumping, follows a similar experiment in wheat during the crop year ended July 31, last. Appropriation to restore Commodity Credit Corp.'s capital (that is, make up losses of \$119,000,000) finally restored after being kicked around at end of session.

Public salaries—In line with the President's recommendation, the new law subjects state employees to federal income taxes and permits states to levy on federal employees. However, elimination of tax exemption on government bonds was deferred.

Social Security—Townsend plan was defeated, but it forced more liberal benefit payments to widows and dependent children. The huge \$47,000,000,000 Reserve Fund was abandoned for a much smaller fund, equal to three times current benefit

needs. (By 1955 it would amount to \$6,900,000,000.) The 1½% old age pension tax on employers and employees was frozen to Jan. 1, 1943 (when the rate jumps to 2%) instead of rising to 1½% as per schedule next year. Unemployment insurance taxation was made to conform to old age pension taxation, and will no longer apply to any compensation above \$3,000 a year.

Housing—Limit on FHA mortgage insurance operations raised to \$4,000,000,000, and modernization credit plan continued in effect.

Dollar devaluation—After bitter fight, the President retained his authority to devalue the dollar and continue \$2,000,000,000 stabilization fund, thanks to the support of silver state legislators who bargained successfully to raise the price of domestic silver from 64.6 cents to 71.1 cents per ounce.

TVA—Compromise puts limit on amount TVA may borrow for purchase of private power property.

Barter—Exchange with Great Britain of cotton for rubber, which will be held for use in emergency, was ratified.

Food & Drug—Effective date of various labeling provisions of the Food & Drug Act, under certain conditions, postponed.

Hot Oil—Connally act extended three years barring interstate shipment of oil produced in violation of state proration laws.

Railroad reorganization—Voluntary debt adjustments with security holders permitted under certain conditions. B. & O. principal road affected.

Patents—Various bills enacted to expedite procedure in Patent Office.

Copyrights—Law provides for registration of commercial labels and single-page advertisements by the Registrar of Copyrights instead of the Commissioner of Patents to avoid present confusion.

Strategic materials—Purchase authorized of strategic materials in anticipation of war needs. Appropriation for first year—\$10,000,000.

Trust indentures—Subjected to regulation by SEC.

Latin America—Legislation to permit exchange of expert personnel, scientific aids, and literature voted as gesture of cooperation.

Appropriations—Total runs to about \$12,500,000,000 as compared to \$11,361,000,000 last session, not including large authorizations for appropriation in future years.

Bills Rejected

Lend-lease—New Deal plan to finance \$3,000,000,000 of public works, roads, railroad equipment, farm homes, rural electrification, and export credits, with borrowed funds, outside the budget, knocked out by refusal of House to consider proposal.

Public Housing—Increasing limit of

United States Housing Authority slum clearance operations from \$800,000,000 to \$1,600,000,000, similarly sidetracked by House.

Public Debt—Removal of the present statutory limit of \$45,000,000,000 defeated.

Bills Held Over

(In addition to the following bills, on which no final vote was taken, the rejected bills listed above remain technically alive for consideration next session.)

Neutrality—Rebuffed by the Senate Foreign Relations Committee, the President will resume his battle for repeal of the mandatory arms embargo.

Wagner Act—Chances for passage of some of a long list of amendments urged either by the A. F. of L. or by employers look better next session. Labor Relations Board will be investigated by special House committee during recess.

Wage-Hour—Amendments proposed by Administrator Andrews, generally acceptable to business, were held back by the Administration for fear that pressure groups supporting the Barden amendments to exempt farm labor would gut the law.

Transportation—In conference at adjournment, the bill would subject water carriers, with important exceptions, to regulation by ICC and make many other comparatively minor changes.

Business Loans—Opposition of Jesse Jones has killed the Mead bill for insurance of loans to small business, but some other means of providing capital credit may materialize.

Walsh-Healey—Various amendments would extend application of wage-hour standards to cover employees of government contractors and subcontractors.

Anti-trust—O'Mahoney bill to put sharp teeth in civil suits will meet stiff opposition now being organized.

Block Booking—Neely motion picture bill, passed by the Senate, will be pushed in the House next session.

Civil Rights—La Follette bill to ban labor spies, strike breakers, and industrial munitions will be focus of hot fight.

Patents—Bills to fix the over-all life of patents at 20 years from date of application and to create a single court of patent appeals is an outgrowth of monopoly investigation.

Chain stores—Patman bill to impose federal death sentence tax will be pushed by countrywide organization of sponsors.

Other pending bills—These include oil pipe line divorcement, regulation of natural gas, abatement of stream pollution, conservation of wealth in war time, revision of trademark laws, immunity for labor unions from anti-trust law, prohibition of radio advertisement of liquor, compulsory labeling of woolen goods, federal aid in support of socialized medicine.

12, 1939

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HOW TO LOCATE HANDICAPS THAT SLOW UP WORK IN THE OFFICE



**In a large or a small office,
the first job is to study the
work being done at each desk**



Only by surveying the work being done at each desk can you determine whether or not your employees are handicapped by a routine that causes expensive bottlenecks, annoying peak periods, unnecessary duplications, or other needless, costly operations. To help you make such a survey in your office, Burroughs offers you a copy of "Ways to Save Time in an Office," containing definite and practical suggestions.

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coming from Currie of the Federal Reserve, now one of the President's assistants, Henderson of SEC, Foley, Tommy Corcoran's protégé who became the Treasury's general counsel when Oliphant died, and others of their ilk. Though Jesse Jones didn't damn the plan in public, many Congressmen got the idea that he didn't think much of it, and Jack Garner's friends certainly didn't try to keep Jesse's opinion secret. Joe Martin, House Republican boss, was elated by the break, made the most of it by arguing that, with 10,000,000 unemployed still with us in the seventh year of spending, pump-priming was a demonstrated mistake.

Another Fight in Prospect

One way or another, Congress and the President will have to go to the mat about money again next session if for no other reason than that the \$1,477,000,000 which the President asked and got for WPA—one-third less than last year—won't last out the fiscal year.

As for the next session, considered as a whole, the behavior of Congress will be most vitally affected by some final answer to the two big question marks that hung over this last term—a third term for Roosevelt, a war for the world.

Preview New Auto Models

Settlement of General Motors strike leads to improved confidence. 1939 production will be 800,000 units higher than last year. Packard starts 1940 parade.

WHILE THE POSSIBILITY of further labor troubles continues to becloud the automotive outlook, settlement of the General Motors tool and die strike last Saturday served to lift the tension in Detroit as far as the immediate future is concerned.

Reports of continuing improvement in retail sales—which skyrocketed contraseasonally to new highs for the year in recent weeks—as clean-ups proceeded apace, made factories itchy to get rolling on 1940 production and sales plans.

Indicative of the sales trend is that Ford, running neck and neck with Chevrolet in July, jumped its sales 73% over last year. With most factories closed for change-overs or tapering off assemblies rapidly, it is possible to obtain a bird's-eye view of the picture for the entire 1939 model year. Production of 1939

cars and trucks will barely miss the 3½ million mark—some 800,000 units ahead of the complete 1938 season, in spite of the fact that the 1939 model year was one month shorter.

The gain is due almost entirely to the showing in the first seven months of 1939, which saw better than 2½ million cars and trucks roll off assembly lines, compared with less than 1½ millions in the same months of 1938.

New Glass on G.M. Cars

This week marked the beginning of the industry's annual series of confidential previews for newspaper and magazine editors—Packard on Tuesday, Hudson on Wednesday, Nash on Thursday, Willys-Overland on Friday. In spite of its strike delay, General Motors won the first all-industry publicity skirmish of the new

Back to Work at General Motors



GENERAL MOTORS was running full steam ahead this week, when a month-old strike of tool and die workers ended in an agreement which presaged smoother labor relations for the future. The workers (shown ratifying the agreement, above) and the company both seemed pleased with the settlement; the union (C.I.O.'s branch of United Automobile Workers) was pleased because for the first time it had a company-wide agreement with G.M. instead of plant-by-plant bargaining, and the company because strict discipline and outlawing of "quickie" strikes were promised by the union.

As things stand now, the A.F.L. threat against C.I.O. domination of the automobile plants has been badly smothered, inasmuch as the new agreement will boost C.I.O. prestige in 42 plants where the industrial union is recognized by

G.M. as the bargaining agent. The A.F.L. faction of U.A.W. has recognition as a bargainer in five plants, and in 11 more there is recognition of both sides for their own members.

C.I.O. has begun to take advantage of the "break" at G.M. with a request to NLRB that forthcoming employee votes in Chrysler plants be counted on a company-wide basis, and is expected to push this policy hard. Elections also are to be held next week at Briggs Body, Motor Products, and Packard.

In the meantime, management will watch future events closely to see how things work out at General Motors. If the union pledge to carry grievances through regular processes of settlement is observed and the company holds to its recognition of majority bargaining rights, a big gain is expected in the way of peaceful industrial relations in the Detroit area.

International

season with its announcement on Monday of an improved safety glass to be found on all its 1940 cars. The unveiling took place at the Libbey-Owens-Ford glass plant in Toledo with the press and G.M.'s bigwigs on hand to hear what the new glass will do to improve vision.

The 1940 car sales season got under way officially as Packard dealers in Detroit for their annual sales convention drove home some 4,000 new models. The dealers were elated by two major Packard developments: a further price cut which brought the base price down to \$867 for the six—\$821 under the last 1939 price; and a setup whereby the new factory price includes all charges such as advertising, delivery, and handling which were formerly considered and billed as extras to dealer and customer. In the new arrangement dealer's discounts apply to the entire price with the exception of freight and local taxes. The dealers report that Packard is aiming at better than 105,000 cars, including 95,000 sixes and 120's, as its share of an estimated 3,500,000-car total for 1940.

Nash Shifts Its Preview

Nash, with a nicely profitable first half behind it against a big loss last year, broke a tradition for the first time since C. W. Nash abandoned Michigan for Wisconsin to build cars. It held its preview at Detroit's fashionable Old Club. Even last year, despite the fact that all Nash major operations except actual production had been centralized at Pres. George Mason's Kelvinator plant, officials and press traveled to Wisconsin for the first showing of the organization's new models.

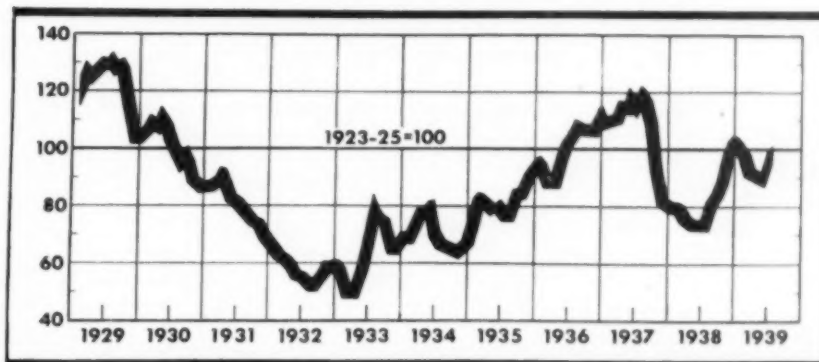
Studebaker, which has been making a remarkable first-year sales showing with its new low-priced Champion, is tentatively scheduled to lead off the van of next week's car presentations, following hard on the heels of the "Sealed Beam" headlamp demonstration by Studebaker Pres. Paul Hoffman's brainchild, the Automotive Safety Foundation.

Better Lamps Offered to Public

Outstanding as an example of cooperative development, the new headlamp system, which combines the bulb and reflector to improve illumination and reduce glare, traces its origin to the active collaboration of lamp manufacturers, car factories, the American Association of Motor Vehicle Administrators, and the Automotive Safety Foundation. That the new lamp will be a feature on many a 1940 car goes without saying. To the public it will mean better lighting, but an increased replacement cost. Two types will be made—one with a silvered glass reflector (as by G.E., Tung-sol, etc.) and one with a metallic reflector (Hall Lamp Co., etc.).

Chrysler, which jumped the gun last year in showing all of its cars to the press months ahead of the industry in

Monthly Index Advances Further in July



Due in good part to the sharp increase in the steel operating rate in the final two weeks of the month, BUSINESS WEEK'S Monthly Index of

Business Activity for July rose to 100.7 from 99.6 in June. This compares with 81.6 in July, 1938, and is 8.5% above the 1939 low of 92.8.

general, has delayed its showings this year until Aug. 22—possibly to see first what the rest of the industry has to offer.

Buick, originally intending to be well

ahead of the parade, will follow on the 23rd, with other General Motors units later. Ford, along with Chevrolet, will be among the last to unveil new cars.

Men's Clothing Volume Up 35%

Fall orders are much higher than year ago. Chain manufacturers-and-retailers gain top rank in industry. Barney's advertising is big success.

ANY MEN'S CLOTHING manufacturer's business for the fall season is 70%-85% booked when his salesmen return about July 15 from their nine weeks' trips. The rest comes in by mail up to Nov. 1. So, by the first week in August, managements appraise their prospects.

This year may set no new records, but it should show biggest sales since 1929. While '37 reached 75% of the '29 dollar volume, prices were 20%-25% lower; hence the year was one of such utter collapse that its memory is a headache. Spring sales in '39 were more than 10% above '38, a bad year. Now the industry has booked anywhere from 35% to 50% more advance fall orders than a year ago.

Clothing sales fluctuate with national business activity, but the downswings are more sharply accentuated because a man can usually get by without a new suit if he must. The '39 sales increase is accounted for solely by better general conditions and revived confidence. Only Hart, Schaffner & Marx and Palm Beach have recently had money and inclination for national advertising. Nor is the current upsurge caused by tricky styles or fabrics, since the only major style trends are more rough goods and fancy patterns for the Joe College trade and a hint of a drift toward smooth fits and

away from the draped effect which looked as though the wearer made up his own design and cut it out with a lawn-mower.

Men's clothing has had about as unsatisfactory an earnings record during recent years as any major industry. Several trends have run against it. Automobiles, radios, and electric refrigerators have absorbed more of the average consumer's budget, left a smaller share for apparel. Generally lower living standards force him to worry less about threadbare cuffs and shiny seats. The tendency toward undress attire leaves only white-collar men wearing three-piece suits every day, while others substitute sports shirts, odd pants, and cotton slack suits for all but dress-up occasions.

Too Much for Distribution

Again, clothing makers confess a serious sin of omission: They have found no effective way to increase the buying power of the clothing dollar.

Manufacturers recognize that distribution costs are too high, but don't know the answer. The maker grosses 18%-20%, is lucky to net 2%. The dealer takes 40%, is lucky if he can stay in business. The only widely applicable distribution economy yet devised is that of the chains that own their own factories.

These chains have dislocated the industry's distribution by increasing their stores and their volume. Both Bond and Richman are now bigger than Hart, Schaffner & Marx, traditional leader. Also in the large-volume group with the big names such as Kuppenheimer are some firms less known to consumers: Greif of Baltimore, Curlee of St. Louis, Cohen of Philadelphia, Joseph & Feiss of Cleveland. Palm Beach shifted a few years ago to making up its own suits, is estimated as selling 1,000,000 units for close to \$10,000,000.

How Contract People Operate

The loft and contract manufacturers are the factors that interfere with the larger firms' increasing sales and earnings. Such a manufacturer may contract to fabricate yard goods for others, even renting sewing machines at so much per thousand stitches. His lowest price is sustained only by his usually optimistic guess about costs. If it were not for the Amalgamated union's holding his wages to industry levels, there is no telling what his rock-bottom price would be. Most of the 1,600 contract manufacturers whose catch-as-catch-can competition harasses the substantial houses are in New York. Nobody believes they can ever be tamed, since two hopefuls replace each casualty.

Most old-line manufacturers are resigned to never reaching the millenium when, as they once hoped, every male American would see style and savings in buying best suits and overcoats. Some quality houses such as Hickey-Freeman (\$55 and up) and Kuppenheimer (\$40-\$60) content themselves with the moderate volume available from middle-class consumers. Some, like Fashion Park, restrict their label to suits at \$40 and up, produce a secondary line for lower-income buyers. Hart, Schaffner & Marx is on middle ground at \$35-\$50, while most others start at \$25 or \$30. Practically all of these firms restrict their label to one dealer per town, except in the very largest cities.

Chains Extend Market

While the long-established houses held for the most part to their policy of production only, Richman stood out almost alone with an integrated unit, selling its \$22.50 suits through its growing chain. More recently Bond began rapidly expanding its chain and its factories with three principal prices, \$25, \$30, and \$35. The industry sizes up Bond as bigger today than Richman. There are other sizable low-price chains, such as Howard and Foreman & Clark. Such outfits, thanks to the automobile, have practically abolished clothing stores in towns of less than 5,000 population. But for volume importance, they have played worse hob with low-price department stores and basements.

Department stores specializing in medium- and higher-priced lines have not

felt this competition so sharply. They continue to hunt out the best values they can find for their established price levels. Some, like Marshall Field (Chicago) and Lord & Taylor (New York), buy impartially from makers who cater to their trade, and also buy from the brand-name houses, few of which are too proud to private-brand for the sake of a heavy order. Other department stores, like Hudson's (Detroit) and Kaufmann's (Pittsburgh), place their faith in nationally famous labels.

Men's clothing manufacturers and retailers have never been first-magnitude advertisers, but the outstanding performance turned in by Barney's, a New York store which lures a tremendous flow of low-income customers to an off location by spending 10% on aggressive radio advertising, is setting a new fast pace. Barney's sells at startlingly low prices a million and a quarter's worth of clothes, some of these nationally labeled suits and overcoats that their makers piously wish they knew how to keep out of Barney's hands. A non-advertising merchant in an outlying Philadelphia neighborhood has built a million-dollar volume in an old livery stable. He buys and sells for cash, makes no alterations, maintains retail prices only a dollar or two above what most dealers pay for comparable quality. Such freak outlets depend on extraordinary individuals, but their records are inducing the chains and even more conservative distributors to adopt hard-hitting merchandising methods.

No statistics exist on relative importance of the various manufacturing and

distributing groups, since only a few firms will even tell a competitor the time of day. One big manufacturer hazards a private estimate, meanwhile deprecating his tabulation as nothing better than a guess. He believes the industry's average annual total of 45,000,000 suits and overcoats, wholesaling for around \$450,000,000, is split up as follows:

25% for the chains that make up their own goods.

25% for stores competing with the chains in the low-price field; their merchandise comes about 50-50 from a few big manufacturers and from more than 1,000 loft and contract shops.

40% for stores that sell, at \$30 and up, the goods of better-grade makers.

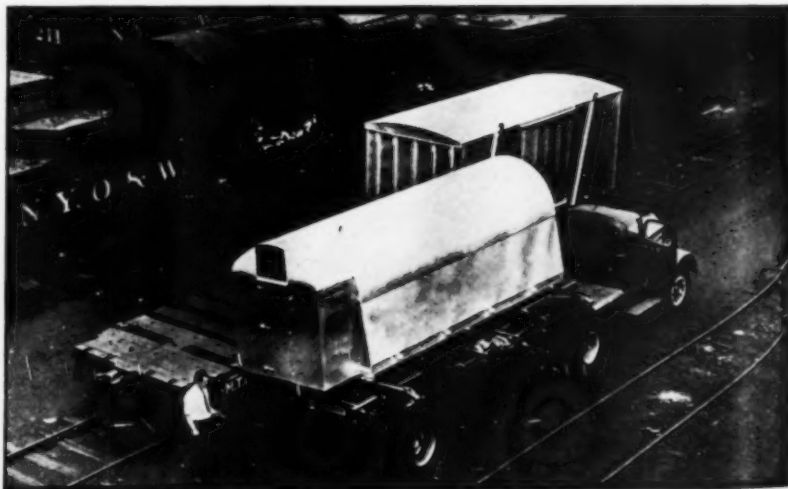
10% for all other forms of distribution including mail-order.

If this guess errs, he says, it gives too small a share to the chains and their low-price competitors.

Prices May Be Nudged Upward

Prospects for clothing prices, both retail and wholesale, are not downward. The Amalgamated union, headed by Sidney Hillman, has some 85-90% of total production and recently asserted its intention to bring up wages to a nationally uniform level. Greif, Curlee, Richman, and Schoeneman of Baltimore are the principal non-union manufacturers. Probable reason why they have not been organized is that they meet or exceed union standards. Hardly anyone expects the low-wage markets to resist the union's demands successfully, and this should give prices at least a gentle push upward.

A New Method of Freight Transportation



A newly-developed freight system designed to coordinate long-haul railway service with short-haul truck movements, thus return to the railroads much of the freight business diverted by motor carriers in recent years, went on demonstration in the

railroad exhibit at the New York World's Fair last week. Above, a push-button control transfers a 4,000-gal. milk tank from a rail car to a highway vehicle in 90 seconds. The inventor is Benjamin Fitch, president of Motor Terminals, Inc.

Illinois Softens Tax

Fleeing corporations may be lured back by cut in levy on intangibles.

JUST BEFORE April 1 of each year, when Illinois personal property returns must be made, tax-conscious companies check down their bank balances or transfer them to out-of-state banks where they are harder to reach. Immediately afterwards these wandering bank balances come home, to remain until next year.

At the same pre-assessment period of any year some sizable company incorporated elsewhere but doing its principal business in Illinois is sure to realize there is an easy way to cut tax expenses. Thereupon it packs up and moves its corporate headquarters, usually to the East and never to return.

In 1938 the most prominent refugee from the Illinois tax collector was Middle West Corp., which went to Wilmington, Del. This year Standard Gas & Electric Co. migrated to New York. Illinois law has borne down unbearably on holding companies with principal offices in the state but with charters from other commonwealths, since they have paid on all of their intangible assets—which means they have paid on all securities in their portfolios. The situation has been an expensive nuisance to the companies. Most of them continue their major activities at Chicago but, to escape Illinois and settle legally within some other state, they keep their secretary elsewhere and transport thither for monthly meetings the board of directors *en masse*.

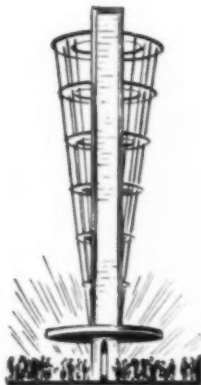
Assessment Limit Conceded

Last week Gov. Horner permitted to become law, without his signature, a bill enacted by the legislature. Only the amount used in doing business in Illinois will hereafter be assessed. Thus the law levies on foreign corporations the same personal property taxes that Illinois corporations have to pay.

Pres. Bernard W. Lynch of Standard Gas & Electric said immediately that removal of the heavy tax burden paves the way for moving his company back to Chicago, and that he will recommend the move at the Aug. 17 directors' meeting in New York. Pres. Purcell L. Smith of Middle West Corp. says his company would much rather have its headquarters close to the scene of its operations, and that if the lawyers decide the new law has cleared up the difficulties that forced the removal he will advocate returning to Chicago. So Chicago business leaders, who have been trying to raise money for attracting firms that can supply employment, are cheered up. They feel sure that without any expense they are going to induce the return of Middle West, Standard Gas, and several other home-town foreign-chartered firms.

A FAIR WITHIN A FAIR

by Westinghouse



It has taken a World's Fair to make us realize all over again that ours is not a commonplace business. More than 12 months ago we undertook the task of erecting our own building at the New York World's Fair. Today there has sprung up a treasure house of wonders devised by the inventive minds of an organization trained to think in terms of practical applications rather than spectacular showmanship.

Instead of an ordinary cornerstone laying, we buried the Time Capsule with its significant message of our times for people who will live 5000 years from now.

In our laboratory we discovered that everyday experimental equipment could be transformed into headline attractions for a Playground of Science where visitors crowd the aisles to see the shape of their own voices, transmit music over a beam of light, and demonstrate to themselves other mysteries of science.

An engineer's dream was brought to fulfillment in the form of a friendly Frankenstein who walks and talks, counts on his fingers and distinguishes colors to the delight and amazement of crowds who throng his every appearance.

Our auditorium cannot accommodate the audiences who stand in line to witness the triumph of modern woman over drudgery, as accomplished by one of our lesser-known appliances.

To add to the enchantment of the Fair as a whole, as well as our own building, Westinghouse engineers took advantage of the latest developments in illumination, hydraulics and control devices to create the Singing Tower of Light with its breath-taking symphony of music, water and light.

Behind the scenes, Westinghouse has collaborated with the Fair and other exhibitors in making possible all the wonders of this World of Tomorrow. We furnished the lighting and power equipment for the spectacular Lagoon of Nations where thousands of fair-goers stand nightly in awed wonder. The longest electric stairway in the country, the exterior lighting of the Perisphere, the production of Florida climate on Long Island, are examples of a few of our transportation, lighting and air conditioning contributions to this greatest of all fairs.

It is gratifying to realize that our own people were able to take a World's Fair in their stride and handle it as they would any ordinary, everyday job. We hope you will visit our building and spend time enough with us to catch the spirit of Westinghouse which we have tried to interpret to you in our exhibits.



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SOME country folks prosper and some don't—even as you and I. And those who prosper also spend, until *some forty cents* of every dollar shoved across this nation's retail counters come from *country* people's pockets.

Which means that in America the market is made in two nearly equal parts, with this important difference between them . . . *that those country folks who prosper best and spend the most are easier to single out and advertise to than their big-city equals are.*

Easier because of a country magazine that has no big-city equal at all!

Show your country dealers a list of Country Gentleman subscribers in their own localities, and they'll tell you that the list is almost name-for-name the list of that community's best-buying families. (We know because we've tried just that, several hundred times.)

Then read an issue or two of Country Gentleman, and you discover that this quality selection was some-

thing in the cards that simply *had* to happen. For Country Gentleman enjoys the privilege and the advantage of being the greatest magazine of *livelihood* in all the world.

Over 2 million families strong, its readers come to it not just for entertainment, but for news and help in the things they live and earn by. They know it as a source of money in the pocket . . . as an authority of a century's standing . . . as a fighter of their battles on scores of fronts with an unbroken record of victories.

In a mighty market where other stand-out advertising power is rare indeed, Country Gentleman offers you the most automatically pre-selected quality audience on earth.

Them as has . . . we gits. Just naturally.

And, having got, we hold . . . with pages so great in influence that no idea backed by them has ever failed to get action!

COUNTRY GENTLEMAN
NATIONAL SPOKESMAN FOR AGRICULTURE

The 400—In Transition



The rolling stock for the Chicago & North Western Railroad's new "400" train has been delayed by last-minute changes to bring the design up to the latest developments, but Electro-Motive Corp. delivered the streamlined diesel locomotives several weeks ago. So, instead of leaving them on the storage track, the road has them pulling the old "400" equipment (above). When the new train is delivered, the locomotives

will spend their afternoons and evenings hauling it between Chicago and Minneapolis. On arrival at the other terminal, the engine will be hitched to the front end of the overnight "North Western Limited" which leaves on the same run in half an hour, will amble the 406 miles slowly enough to catch its wind for the next afternoon's dash. The road figures 813 miles a day will be a fair money's worth from each diesel.

What's Television Doing Now?

Farnsworth holds first distributors' convention, two big stores want to put up a station, and new company is formed. Expect fall sales pickup.

A FLURRY OF EXCITEMENT in the television business was caused by three announcements during the past week.

The newly organized Farnsworth Television and Radio Corp. held its first distributors' convention in Fort Wayne, Ind., Aug. 7 and 8, and introduced its line of receivers.

Two New York department stores, Abraham & Straus, and Bloomingdale's, applied to the Federal Communications Commission for a license to construct a television broadcast station in New York. Bloomingdale's has already employed television, over wires installed in the store, to show their wares to large audiences. The new station, if and when constructed, would be used for public programs, including the advertising of goods for sale in the stores.

The third announcement was that of the formation of Radio Wire Television Corp. of America, in the form of a merger of Wire Broadcasting, Inc., a wire-program service, and Wholesale Radio Service, a supply house, with their subsidiaries. John Otterson, formerly presi-

dent of Winchester Repeating Arms Corp. of Electrical Research Products, Inc., and of Paramount Pictures, will head the new venture.

Set Movement Has Been Slow

Since BUSINESS WEEK's special report on television (BW—Dec 31 '38), public program service has been maintained for three months. Some of the early predictions have been realized, particularly regarding the slow growth of receiver distribution. The firms who have produced television receivers and offered them to distributors include the Andrea Corp., Allen B. DuMont Laboratories, Farnsworth, General Electric Co., Philco, Pilot, RCA, Stromberg-Carlson, and Westinghouse. Only three or four of these firms have been selling sets long enough to give the market a good test.

When the others get behind it, things may improve, but at present the selling of television receivers is very slow indeed. Estimates of total sales run from 650 to 1,000, but the best-informed opinion puts the number at about 800 sets,

actually sold to and in the hands of the public since April 30, in the New York area. This figure is far under the manufacturers' preliminary estimates. All manufacturers together have produced about 5,000 sets, most of which at present are on warehouse shelves or on dealers' floors.

But There's an Explanation

At first the slow movement of the sets disheartened the industry, but very good reasons for it were quickly found. In the first place, only one source of programs is now available in New York—the NBC transmitter. The CBS transmitter, which was expected on the air in June, has not yet put in its appearance. When it does (this fall) the increased program schedule will stimulate sales. In the second place, the market for the television sets is limited (by the prices of \$200 to \$750) to the type of family which ordinarily goes away for the summer, beyond the range of the programs. Hence many purchases have been put off until the fall. A few scattered criticisms of the technical performance have been heard, usually in regard to the small size of the pictures (3 x 4, to 8 x 10 in.), but generally the quality of the reception has been satisfactory to the layman.

Outside the New York area, the only program service is that in Los Angeles, where the Don Lee transmitter is in operation. This equipment has recently been converted to operate on the transmission standards of the Radio Manufacturers' Association; hence sets made for the New York area may be used equally well in Los Angeles. At present, however, very little sale effort is being expended on the Coast.

NBC Expands Schedule

In New York, NBC continues to produce a minimum of 10 program hours a week for its audience of 4,000 viewers (800 sets and 5 viewers to the set, including friends and neighbors), and has announced an increase in the schedule to a minimum of 11½ hours, beginning Aug. 29. Early complaints against the repetition of film programs have been answered by a policy of "no repeats." The schedule includes four noonday one-hour broadcasts, half short film subjects, and half live-talent, the latter made up of interviews, musical performances, humorous skits, educational demonstrations, etc. The evening programs during July ran five a week (Sunday and Monday were omitted to preserve the 40-hour week for the studio crews and engineers).

During August the studio has been shut down for alterations, but three full-length feature films are broadcast each week, and the mobile truck units have been picking up outside broadcasts—three afternoons a week. Currently the Eastern Grass Court Tennis Championship Matches at Rye, New York, are being broadcast, preliminaries as well as

finals, on the afternoons of Aug. 9, 11, 12. The mobile trucks, which were out of service during July, have had an extra camera added to them, and have been improved otherwise.

Meantime, interest in another phase of television—big-screen receivers for theaters—is languishing. The movie people, after getting over their original fright that home sets would ruin their business, went through an opposite phase in which they were talking about theater television as a box-office stimulant equal to the coming of sound. Now they're adopting a more realistic wait-and-see attitude.

A handful of British theaters have big-screen (about 6 x 8 ft.) receivers, and the stunt has been tried in Germany, too. The German apparatus is probably best, but still doesn't approach the clarity of a regular movie. And it's expensive. The German screen alone costs \$30,000.

Theater People Hold Off

J. L. Baird, who put the big-screen receivers in British theaters, has been giving demonstrations in New York, fishing for the interest of American theater-owners. So far no nibbles are reported. Besides not being satisfied with picture clarity, the movie magnates can't see spending \$50,000 or so per installation unless they're assured of programs. Special events, particularly sports, are about all they can see for television in theaters. Along that line, Mike Jacobs kept NBC from televising the recent Joe Louis-Tony Galento fight because he felt it might hurt the gate. Jacobs is of a mind to withhold television rights to all big fights until there are enough theater installations to give him a substantial cut.

The second dream of the movie people, the quick distribution of regular feature pictures by television rather than by the shipment of positive prints to individual theaters, is still so far off technically that the movie people have almost quit talking about it.

Gotham Transit Goal

At last New York City approaches unity, by acquiring privately operated lines.

NEW YORK CITY had a rapid transit problem even before it had a rapid transit system. When a subway was first proposed in the 1890's, Russell Sage considered it "the most foolish thing ever heard of." "New York people," he prophesied, "will never go into a hole in the ground to ride." But Mr. Sage was then financially interested in an elevated system.

From this small beginning, rooted ostensibly in aesthetic differences, the problem has advanced to one of involved financial complication, pivoting dizzily about the issue of unification. That in-

The Will . . . and the Way



Your will should do more than distribute your property among your heirs in the manner you choose.

☛ Through thoughtful planning, it should help to conserve your estate far beyond your own lifetime . . . to insure your heirs, at least expense, full and enduring benefit from the property you leave behind . . . to protect them against inexperience or indiscretion. ☛ 117 years of experience in the management of estates and property equips this Company to help in planning your will . . . to be drawn by your lawyer . . . and, later, to carry out its provisions with sympathy and wisdom.

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involves bringing the privately operated systems—the Interborough Rapid Transit, Manhattan Railway, Brooklyn Manhattan Transit, and Brooklyn-Queens Transit properties—under city control, along with the municipally operated Independent System, which began in 1932, and which will be augmented by the completion of the Sixth Avenue subway, replacing the recently demolished Sixth Avenue El.

Before the war, the I.R.T. and the B.M.T.'s predecessor company, the Brooklyn Rapid Transit Co., were rolling along fairly well, together earning \$9,835,000 one year. But with the war and skyrocketing costs, each found it harder to get along on a nickel per strap-hanger. Eventually, the B.R.T. went into receivership, and the present B.M.T. emerged.

In 1921, Gov. Nathan Miller appointed a state transit commission to work out a plan of unification. Sixteen years later the commission was still working. At that time, just after the commission had turned down the Seabury-Berle unification proposal, Mayor

Fiorello H. LaGuardia reared himself up and declared, "The transit commission has been stalling on this problem for 16 years at a cost to the public of \$16,000,000 in salaries."

Actually, the commission had promulgated several plans of its own to purchase the subway properties. The inability of state and city transit authorities to get together appears to have been one of the biggest obstacles to unification.

Willing to Take Less Now

Meanwhile other forces were at work on the B.M.T. and I.R.T. Several court decisions between 1928 and 1931 left them stuck with the five-cent fare (the I.R.T. had sued for the right to increase it). Then, the I.R.T. toppled into receivership in 1932. And the B.M.T., faced with a partial diversion of traffic into the new Independent subway (as is the I.R.T. also) in addition to increased costs, saw the handwriting on the wall. Thus, this year, B.M.T. was content to accept \$175,000,000 for almost all its properties, whereas in 1931 it considered a \$213,218,000 offer for its rapid transit and power properties alone some \$11,000,000 too low.

There has been another consideration governing its change of mind. Former purchase proposals involved the issuance of bonds based on earnings, for the city couldn't buy the properties without exceeding its statutory debt limit. Such bonds, to be issued by a Board of Transit Control, weren't as acceptable to the companies as direct obligations upon the city itself. But now, thanks to an amendment to the state Constitution voted last fall, the city is permitted to tilt its debt limit to buy up the subways.

Properties Will Finally Be City's

Thus, at last, the city will be getting what it started out to get two decades ago. Already, the B.M.T. plan has been approved by the company, the city, and the transit commission; senior security holders are now being asked to deposit their securities in assent to it. The I.R.T. plan, involving a payment of \$151,000,000, has also been offered. Hearings upon it are being held this week; then the transit commission, the company, and a federal court must okay the plan, and finally the city will get the properties.

This should make everybody happy. But whether the city will prove to be a better business man than the private companies is still another matter. For though it need not pay itself the \$5,740,000 in taxes levied on the private companies, it must provide an equal offset to them. And whether it will be able to meet increasing costs (say, in wage increases) through a fixed nickel fare remains to be seen. No matter what, it has hitched its subways to a nickel fare, guaranteed by political expediency, and on that 5,500,000 commuters daily will continue to ride.

Thomas Strip



STEELS THAT STIMULATE PROGRESS

Meeting New Steel Demands

With a long record of specialization in the production of cold rolled strip steel, Thomas Steel is constantly solving new problems of product improvement and cost reduction. Our special electro coated finishes, special tempers, and precision in meeting difficult demands pertaining to gauge, width, edge and physical properties have consistently stimulated the progress of Thomas Strip users. If you want high quality for your standard specifications or a specialized approach to a difficult problem of quality or cost, ask for a consultation with a Thomas Steel Engineer.

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STRIP STEEL

THE THOMAS STEEL CO. WARREN, OHIO

MARKETING

ADVERTISING • MERCHANDISING • SELLING

"Iowa Plan" on Way Out

Oil companies hope to resume direct operation of retail outlets. Think better management will offset dangers of chain taxes and New Deal laws.

WHEN IOWA'S INDEPENDENT retailers went on the war-path four years ago and forced enactment of a chain store tax law applicable to gasoline filling stations, oil companies saved their scalps by dodging behind the "Iowa plan" of marketing. Under it company-owned stations were leased to operators who thus became independent retailers selling the lessor's brands under contract. The refuge was adopted more widely as anti-chain legislation spread, social security levies appeared, and organizers for the Congress of Industrial Organizations began working on service station employees.

Now the trend is reversed. While few statements are being made, insiders know that there is a powerful move on to abandon the Iowa plan and return to direct company operation. An open break by some major companies is expected this year. When it comes, there will be a scramble by suppliers to resume complete management of stations. The reasons are various and compelling.

Aspire to "Price Stability"

For one thing there appears to be a lull in state legislation against chains (*BW—Jul 8 '39, p. 28*). For another, unionization isn't the bugaboo it was. But most powerful of all is the merchandising factor. Men who were good operators while working for the companies fell down on the job when the leases changed them to a status of small independent business men. As one oil official, harassed to distraction by price wars, recently remarked:

"What can you expect with 400,000 inexperienced business men [the retail dealers] setting the price?"

The full tragedy of the situation is evident in the continuation of price upheavals during the current summer which promises to break records in consumption. Majors and big independent companies have been scared stiff by the Madison, Wis., trials and the current federal anti-trust inquiries into price policies (*BW—Jun 3 '39, p. 18*). They sit and suffer but see some hope of stability in a return to retail operation.

Under big-company ownership a station could afford to take a temporary loss of patronage rather than join in price-

cutting which drives down the general level. Not so the operator of a leased station who depends on it entirely for his support. When one price-cutter, usually a track-side operator, opens up, the infection spreads in all directions, since each little fellow feels he must meet the chop or lose his income. The drop in prices has forced the big companies (both majors and independents) to shave their distributing costs. In some areas the wholesale bulk station is disappearing, gasoline going direct to retailers from the pipe line or refinery.

Often the wear and tear of price conflict on the station operator's capital is such that he can't afford to take large deliveries. Many retailers can't finance 1,500-gal. loads from the regular route trucks but insist on hand-to-mouth deliveries by smaller local trucks.

The economic pressure is hastening liquidation of the inept retail operator. As price cuts pare his profits, the payment of the lease becomes more difficult. He naturally turns to his supplier for

help. To prevent the outlet going to a competitor in cases where the supplier does not own the property, the supplying company usually steps in. First it tries to beat down the property owner's lease figure, then it takes over the lease. In the end it realizes that, having completely subsidized the station's operation, it might as well resume full control.

Some other kicks at dealer management of service stations are: (1) Price cuts reduce profits so that helpers have to be discharged. (2) With insufficient staffs, service is inefficient and toilet rooms (those valuable little goodwill booths) become untidy. (3) Dealers don't canvass for business or actively push merchandise—oil, grease jobs, anti-freeze, etc.—which make up for the small profit or no profit on gasoline. (4) Over-eagerness for business leads to bad credit sales for which the supplier is asked to collect.

Many Already Taken Back

No wonder practically all the oil companies are figuring on ways to take back their stations, excepting those now operated with conspicuous ability. Many stations already have quietly been returned to direct company management. In most cases this has been done by jobbers who have immediate control over the service stations and pumps owned by the supplying companies. One independent in the Middle West has taken back a lot of its stations. Sinclair is said to be rejiggering its wholesale-retail setup in a few big centers but, like the other companies, is not talking.

Close observers of marketing scoff at the report that huge Standard Oil of Indiana will be the one to start the stam-

Petroleum Industries Talk Back



In Washington last week the petroleum industries answered the questions posed by the Temporary National Economic Committee in its

inquiry into price policies. Above, W. R. Boyd, executive vice-president of American Petroleum Institute, gives Chairman O'Mahoney the replies.

pede from the Iowa plan. Most big companies sell through jobbers who are effectively under control but are not employees. Indiana Standard sells mostly through its own wholesale and bulk plants, leasing or managing its retail stations directly. Should this company start taking back stations anywhere in its territory it would shake dealer confidence everywhere—giving competitors a better chance to pry out Indiana pumps and substitute their own.

Major oil companies in Ohio and on the Pacific Coast are enjoying complacent grins at the distress of their sisters in other sections. For they resisted the blandishments of the Iowa plan. Standard Oil of Ohio is an example. It did

lease some stations but it has retained and expanded its company-owned operations. At the end of 1935, Sohio had about 200 company-owned and directed stations; by the first of this year the number had increased almost 50%. Moreover, the expansion has been in the big, complete, service-center type of station. The company-owned stations better the sales of leased stations by more than three to one.

In Ohio, market observers expect Sun Oil to be the first to make the sharp break away from the Iowa plan. They point to Sun's policy of paying high salaries (necessary to attract good merchandisers) and the high gallonage per outlet of Sun stations.

Appliance Sales Boom

Electric refrigeration volume in first half of '39 was better than for all of '38. Washers, ranges, water-heaters, and others also gain.

1938 WAS A SORRY YEAR for the electrical appliance industry. Despite a slight year-end pickup, losses instead of profits were the rule. Few major appliance manufacturers got through without using red ink. And this held true for the bulk of the retail trade.

But this year it's a different story. Latest trade-association figures show that manufacturers' sales are booming, and retailers have quit singing the blues.

Electric refrigeration leads the comeback. Sales reported by National Electrical Manufacturers Association for the first six months of 1939 are approximately 10% more than for the whole of last year.

Back in the black days of the early '30's, refrigeration was called the depression-proof industry. Its newness made it so. Sales passed 500,000 units for the first time in 1928, went steadily to 2,310,000 units in 1937. Only 1932 failed to show a substantial gain over the preceding 12 months.

Then came 1938, and something happened to the depression-proof industry. Sales plummeted nearly 50%, retail dollar volume went from around 400 million to 200 million. Trouble was that the recession caught the industry when its market was nearer the saturation point.

More Replacement Business

Manufacturers say that better than 50% of their market is still unsold. But it's the hard half to sell, and what pleases them most about this year's spurt is the way the replacement business is booming. Replacements are now accounting for 25% to 30% of total sales; last year *Electrical Merchandising* estimated them at 16% of the total.

Some of the refrigerators sold in the '20's have worn out, of course. But more

A Look at the Record

(Unit Sales)

	Jan.-June 1938	Jan.-June 1939	% Change
Refrigerators	921,281	1,414,278	+53.51
Elec. Washers	487,391	677,963	+39.10
Ranges	144,133	170,704	+18.44
Water Heaters	31,844	46,623	+46.41
Floor Cleaners	521,775	560,880	+7.49
Hand Cleaners	157,408	145,377	-7.64
Ironers	51,349	52,527	+2.29
I.E.S. Lamps	108,792	170,704	+56.95
Roasters	72,376	73,723	+1.86

Figures from National Electrical Manufacturers Association and Vacuum Cleaner Manufacturers Association.

important to the growing replacement business is the public demand for bigger boxes. During the depth of depression, when money was tight and refrigerators cost more than they do now, people bought boxes of four and five cu. ft. capacity. Bigger boxes are more popularly priced today, and the public has been educated on the fact that they cost very little more to operate. Four and five footers are being traded in for six, seven, or even nine footers. In 1934 the sale of six to seven cu. ft. refrigerators was under 20% of the total; this year it will be nearly 40%.

Electric washers didn't drop off last year quite to the extent that refrigerators did; hence the washer gain of 39.10% is less spectacular; but it is almost equally satisfying. The element of replacement business is much larger on washers than for refrigerators, this because the washer is an older appliance and reached big volume ahead of the refrigerator. For several years the proportion of washer business done on a trade-in basis has been around 50%.

Particularly gratifying to washer manufacturers is the fact that they have felt no sales losses from the campaign last year by which the Laundry Owners' Association attempted to wean customers away from home washing.

Electric ranges, with a six months' gain of 18.44%, are doing better than all right, but manufacturers think that their palmy days are still ahead. They point out that they sold only one electric range to every 15 gas ranges in 1933, but reduced that ratio to one-to-four last year, and for this year are running at one to 3.5. Product improvement, they say, giving the electric range the speed and efficiency of gas, plus electricity's inherent advantages of cleanliness and ease of control, is the answer.

Rivals Woo Consumer

Gas men, through the American Gas Association, are making a hard fight to hold their market, and are spending around a half million dollars a year in advertising. This is countered by the electrical manufacturers' Modern Kitchen Bureau and its campaign. According to these manufacturers, their biggest sales resistance on ranges comes not from the competition of gas, but from the opposition of some combination gas-and-electric utilities. These utilities, say the electrical manufacturers, see their gas equipment being obsoleted and find it expedient to sell customers away from electric ranges.

The electric water-heater, fourth of the major appliances, and still the baby of the family, made itself heard to the tune of a 47% increase during the first half of the year. Leading the way was the new one- and two-gallon non-pressure heater. These heaters plug into a light socket, require practically nothing in the way of special installation, and provide a constant supply of regulated hot water in small quantities. Manufacturers point to sales increases of 300% on this type of heater, but consider this as plus business in addition to sales of regular storage-type heaters.

Smaller Items Prosper, Too

Sales of small appliances are more difficult to estimate than sales of major appliances. There are many more small-appliance manufacturers, and some do not report to trade associations. Best estimates, however, have small appliances running substantially ahead of last year.

Major interest in the trade centers on such comparatively new items as electric roasters and dish washers. A joint three-year campaign by roaster manufacturers has just begun and is beginning to be felt in increased sales. Dish washer manufacturers count on increased home-building to boost their sales. Speculative builders have found that such electrical gadgets as dish washers get interest in a new subdivision, help sell homes.

Can Sell Drug Items

New California law expands list of preparations on sale in non-drug stores.

THE WELL-SHARPENED boomerang thrown last September by druggist-members of the California Pharmacy Board at the variety chains in an effort to knock from their counters such popular items as antiseptics, corn plasters, and cosmetics, has returned to hit the drug trade a resounding smack.

Last week Gov. Culbert L. Olson signed a bill, effective Sept. 15, which adds considerably to the list of items that may be sold by other than licensed pharmacists (*BW—Sep. 3, 38, p. 24*). The state pharmacy act provides that only pharmacists may sell drugs and drug preparations. Only proprietaries were exempt.

Grocers Triumphant

The board's contention was that such items as mouth washes, cosmetics, tooth pastes, and condition powders are not proprietaries and that only licensed pharmacists could sell them. Burden of proof that an item was a proprietary was to fall on the retailer, a ruling which caused non-drug store owners to yearn for an authoritative definition of the term.

The bill signed last week was lobbied through the legislature chiefly by the grocers who are eager to handle packaged preparations (*BW—Jul. 3, 39, p. 28*). It represents a compromise with the druggists. Non-drug stores will be able to sell "any packaged, bottled, or non-bulk chemical, drug, or medicine when identified by and sold under a trade name privately owned or registered in the U. S. Patent Office and labeled with directions for use," it is declared. The proprietaries must meet requirements established by both the federal and California food and drug laws.

Still Doubtful on Two Items

The law allows only registered pharmacists to sell drugs "named and listed in the U. S. Pharmacopoeia or National Formulary" either when sold under their own name or under a trade name. This provision is said to prevent sale of aspirin and citrate of magnesia by non-drug stores (there will probably be court tests on these two items in the autumn).

Approved by the new legislation for sale in dime stores, varieties, and groceries are the cosmetics, toilet goods, and antiseptics which they have been selling right along and, in addition, cod liver oil, milk of magnesia, condition powders, cream of tartar, castor oil, bicarbonate of soda, ammonia, unmedicated corn plasters, and any trademarked packaged drug formula items.

A Business Machine



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Dependable Products Since 1873

BRANCHES IN PRINCIPAL CITIES

Chicago Fall Market

18,000 merchants from small towns place 5% more orders than in 1938.

WHEN THE AUTOMOBILE FACTORIES hum in Detroit, then steel mills purr in Chicago and business is likely to be good in the Midwest (see page 14). Small-town merchants are all chirped up about prospects. So 18,000 of them from 6,000-odd retail stores poured into Chicago on July 30 for the fall market week. They bought and bought until they rolled up \$12,000,000 of orders, which was 5% above 1938 and right on the heels of 1937, record year since 1929. So good was business that this fall market upset precedent by selling more than the spring market. This week a good many buyers are still mopping up want lists. But most of them left last Sunday, and other travelers can again get rooms in Loop hotels.

Nothing else in the country is just like Chicago's two semi-annual market weeks.

Although half a dozen smaller big cities put on their own events at the same time, Chicago outpulls all others combined. It started 18 years ago, with five local wholesalers enlisting 50 out-of-town merchants to work up enthusiasm among buyers. The first show drew a fair attendance. Then the Association of Commerce took the program under its banner, beat the drum, and a lot of recruits joined.

Now all Chicago business puts out "Welcome" mats. High point of enthusiasm was a department store's gladhand introduction to an ad: "Marshall Field & Co. joins with visiting merchants in paying tribute to the creative ability of the Chicago market." The copy below featured baby carriages.

Anybody with a legitimate showing of goods is welcome. The Morrison had 16 floors filled with displays, the Palmer House 10, the Sherman, LaSalle, and Congress one each. These were out-of-town exhibitors, since most of the local houses use their own showrooms. More than 2,000 local lines and 850 out-of-

town lines showed last week. The official program listed 18 different shows running concurrently, which includes much duplication. Four separate shows were aimed at the china, glass, and giftwares buyer, six at buyers of ready-to-wear. At two corset shows exhibitors did exceptionally well because women are newly hell-bent for indenting their middles and otherwise rearranging their persons with considerable lacing and padding.

Canadians Buy More

Middle West buyers predominate, but 41 states were represented. Ontario, Manitoba, and Saskatchewan sent more buyers than ever before, they bought more and better items because of the reciprocal trade treaty tariff reductions. Except for giftwares, which draws from everywhere because it is the big national event in its line, the visitors are chiefly from towns between 25,000 and 3,000, with a good many farm cooperatives and always one Indian who runs a store on a Wisconsin reservation. Typical store represented sells \$100,000 to \$150,000 a year. Manufacturers love 'em, for they place big enough orders and don't feel their business rates extra-special prices. One-third are store owners, two-thirds department buyers. Half are men buying drygoods, variety items, and general merchandise. Half are women looking for millinery, ready-to-wear, and specialties.

Average bill of goods placed per order: drygoods and general merchandise \$2,400; ready-to-wear \$1,100; millinery \$600; gift and artwares \$350; toys \$600; variety goods \$600. Average expense per buyer, \$3.50 for a single room, \$25 for the week's modest fun and gifts to take home.

Aside from improved business, this fall show boomed because for the first time all 18 shows opened simultaneously, all individual show promotion talked up all other shows even though directly competitive. Exhibitors were scared into this cooperation lest they lose buyers to the attractions of New York's World's Fair.

Disown Anti-Chain Ads

Retail grocers' association disavows connection with bitter Topeka campaign.

CONTROVERSIAL ADVERTISING directed against chain stores in Topeka, Kan., by the local Food Dealers Association (BW—Jul29'39, p12) under the slogan "Independence Made America—Trade Independent," has been disowned by the National Association of Retail Grocers, sponsor of the nationwide "Trade Independent" campaign.

In its first step to dissociate the legitimate "Trade Independent" drive from the bitter chain attacks in Topeka, N.A.R.G. last week announced that the Topeka independents had acted entirely





All That Is GOOD For The Community Has The Support of Your Independent Merchant



TRADE INDEPENDENT



Independent Merchants Have Fought Through the Years to Build and Preserve Your Town.



TRADE INDEPENDENT

The National Association of Retail Grocers' "Trade Independent" campaign wisely refrains from attacking the chains, sticks strictly to the business of selling the independent merchant to his community.

upon their own initiative, and without the approval or knowledge of the campaign headquarters in Chicago.

More important in the attempt to gain public confidence in the campaign will be steps taken to see that the official slogan is not used on any future advertising of a similar nature. N.A.R.G. says that the "Trade Independent" campaign has already been under way in some states for two months, and its advertising has followed strictly the original statement of policy that only "truthful, educational statements of fact" would be used.

The purpose of the advertising is not to attack chain stores, but to sell the independent business man to the community as an asset. It is of prime importance to N.A.R.G. to keep the drive on a non-controversial basis. Widely publicized attacks on chain stores have too often proved boomerangs by attracting the attention of the consumer to lower chain prices.

the first criminal action ever brought under the Wilson Tariff Act of 1894, it may set an important precedent.

Bottlers Fight Label Rule

AS EXPECTED, bottlers of carbonated beverages last week began a fight over section 403 (i) of the federal Food, Drug, and Cosmetic Act by petitioning the Department of Agriculture for exemption from the provision that ingredients must be designated on labels. The Food and Drug Administration is known to fear that the petition may be the first step in a drive to bring pressure on Congress to ignore the agreement made during the past session not to extend the effective date of the Lea bill beyond Jan. 1, 1940. Consumers are also expected to harry the F&DA with the demand that any hearings on the bottlers' petition be opened to the public.

Drop Listerine Claim

THE LAMBERT PHARMACAL Co. of St. Louis, producer of Listerine, has agreed with the Federal Trade Commission to abandon most of its claims that this antiseptic will alleviate or cure dandruff. The Lambert Co. has been advertising that dandruff is caused by an infectious germ that can be destroyed by Listerine. The commission found that this was a misrepresentation and the company has agreed to cease advertising it as a scientifically proved fact.

Network Sales Exceed '38

JULY BILLINGS of the three major networks soared 29.3% over the same month in 1938. The Columbia Broadcasting System's take was \$2,311,953, up 69.1% over July of last year. National Broadcasting Co. billed \$2,958,710, about 11% up. Mutual rose 29.6% to \$216,583.

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MARKETING ANGLES

Fix Newsprint Trial Date

TRIAL OF THE SIX Pacific Coast newsprint producers and 15 individuals indicted late last month on charges of violating the anti-trust laws (BW—Jul 29/39,p19) will get under way after Thanksgiving in the federal District Court, San Francisco, before Judge A. F. St. Sure. Last week government attorneys and counsel for the American newsprint producers quickly agreed to file all preliminary motions before Nov. 27. At the same time, the two Canadian producers and the one Canadian sales agency involved filed a motion to dismiss the citation. Because the indictment includes

LABOR & MANAGEMENT

INDUSTRIAL RELATIONS • PERSONNEL • EXECUTIVE POLICY

Push California Land-Labor Fight

La Follette committee gets \$50,000 to investigate Associated Farmers, who meantime plan new attack on unions and demand Gov. Olson's recall.

RENEWED NATIONAL CONCERN with the "industrialized" farming problems of California looked like a sure bet this week. Coming up was further investigation of the powerful land-owner group known as Associated Farmers, by the U. S. Senate Civil Liberties Committee under Sen. Robert M. La Follette (which received a \$50,000 appropriation at the end of the Congressional session, and will soon report on the National Association of Manufacturers). Anticipated at an early date is a struggle between Associated Farmers and the farm and cannery unions. And the public interest has already been whetted by two best-sellers in the current book list—John Steinbeck's novel, "Grapes of Wrath," and Carey McWilliams' sociological study, "Factories in the Field."

The occasional clashes between employers and employees in California agriculture are significant to the whole nation, even though the average state has a much higher percentage of owner-farmed properties. In California great areas have been "industrialized" to the point where ownership of thousands of acres may be found in one estate. Migratory labor moves from place to place, picking fruit in a rush seasonal job in one place, going on to harvest a later crop miles and miles away.

Ramifications of the California employer-employee struggle reach right into

Washington where farm lobby groups generally have been taking their cue from A.F. representatives in registering attitudes on national legislation, particularly on amendments to exempt farm and cannery labor from provisions of the Wagner Act and the Wage-Hour Law.

A.F. Thwarts Bridges

In 1934, Harry Bridges started his "march inland" to organize California farms and canneries. The time wasn't ripe and the newly formed Associated Farmers, by getting the "right" laws passed in counties and towns and seeing to it that local law enforcement agencies "cooperated," dispersed Bridges' forces.

With election of Gov. Culbert L. Olson last November, unions began to lay plans for the new assault now in its early stages. About the same time, a new crowd got control of the A.F. and conceived a "march cityward" to ally public opinion and business in the big towns with the organization's objectives.

Last week, in San Francisco, the A.F. march got under way with a meeting of key A.F. county leaders and representatives of allied cannery, warehouse, and waterfront groups. Somewhere along the lines of march in the next few months the opposing forces will meet and there'll be a major engagement, many observers believe.

Meanwhile, preliminary skirmishes al-

ready are being fought. Next week each of the 42 A.F. county units will sound off with a slap in the face for Gov. Olson. He'll be told, by official resolution, to quit "meddling in matters not his business" (to use the language of one); to stop "unauthorized injection of the state into local affairs."

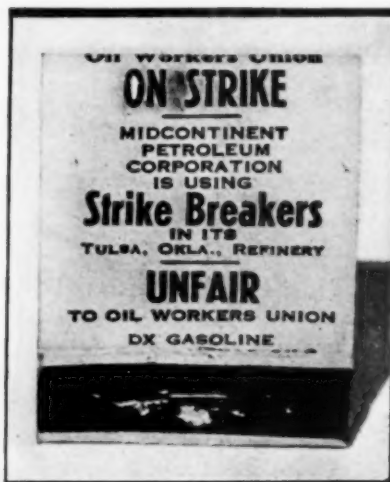
Under Republican Gov. Frank F. Merriam the "right laws rightly enforced" policy of the A.F. functioned smoothly. Democrat Olson hasn't hesitated to use his prestige to publicize some aspects of "law enforcement" which he believes (rightly or wrongly) infringe on civil liberties. In radio addresses he has denounced the A.F. as a "high-pressure, political group" representing packers and business generally rather than the farmer. Soon after taking office, Olson talked to county law enforcement officers, criticized some of their methods of handling labor disputes, and threatened to use the state militia on occasion. In several recent instances he has lifted a union's side of a dispute from obscurity to newspaper headlines with the result that he has (as an official A.F. bulletin expresses it) "stimulated the agitators to renewed efforts and further lawlessness."

The official denunciations of Olson by A.F. county groups will be publicized throughout the state by the group's well-organized propaganda department. It's likely to give a strong impetus to the current "recall Olson" movement.

Anti-Picketing Law Upheld

While the "law enforcement" phase of the A.F. program is threatened, the county anti-picketing laws (BW—Apr 15'39, p24) bulwark of A.F. defense, are holding up well. Last week the Yuba County Superior Court upheld that county's law regulating picketing (36 C.I.O. leaders are in jail for violating it by picketing property of the world's largest fruit producer, the Earl Fruit Co.). The case now goes to the Appellate Court, then to the state Supreme Court for a final ruling.

The A.F. has changed considerably



Spread the News

Labor unions are constantly employing new devices to advertise, and gain support for, their boycotts. This match folder (at the left, the front panel; at the right, the back one) is one example of the tack the unions are taking. These folders were passed out in Chicago by members of a union which did not belong to the Tulsa Oil Workers Union—on strike for over six months now—but was nevertheless in sympathy with it.



since the time it went in for the activities that are to be investigated by the La Follette Committee. From 1934-1936 it was concerned largely with building the "right laws rightly enforced" policy; with electing sympathetic local officials and with blocking Bridges' inland march. From 1936-1938 it was busy developing powerful allies among the business and industrial groups of the state.

Same Goal, New Tactics

In December, 1938, a transformation began. Blunt, impulsive, military-minded Col. Walter E. Garrison, wine grower, and believer in direct action, stepped out and Holmes Bishop, orange grower and ex-choir singer, became president. Actual direction was assigned to young, smooth, hard-boiled Harold Pomeroy, an experienced politician and organizer, and former liaison man between California municipalities and various New Deal agencies. A silk glove has been drawn over the A.F. iron fist. Smooth strategy, political pressure, and "campaigns of education" have replaced direct action. The A.F. has become smart.

On the union side, the C.I.O. Agricultural Packing & Allied Workers of America (which is dominated by Bridges, and affiliated with the Congress of Industrial Organizations) has managed to get a toehold in the fields by the recent ruling of the National Labor Relations Board that the Grower-Shipper Vegetable Association of Central California (lettuce growers) must bargain with it. The American Federation of Labor has pretty well organized the canneries and dried fruit and dairy products industries (especially in northern California). It holds contracts covering some 60,000 workers.

LABOR ANGLES

Union Election Ratio Holds

RESULTS IN NLRB's most recent elections, covering 31 tests up to Aug. 1, show relative strengths about as they have been for the past year. A.F.L. unions entered 19 elections, won 10; C.I.O. entered 21, won 12; "independents" entered 7, won 4; and "no union" majorities took the other 5 elections. In only eight of these 31 were C.I.O. and A.F.L. opposed; C.I.O. won 5, A.F.L. took 2, an "independent" the other.

Flashback—

COINCIDENTALLY with the settlement of the General Motors tool and die strike last week (see page 18) the National Labor Relations Board came through with a decision which confused a lot of newspaper readers. The ruling in question ordered G.M. to quit spying on its union employees in the Delco-Remy plant at Anderson, Ind., to quit aiding an employees' association, and

Mr. Green's Predicament



William Green had a right to be unhappy this week, even though Sophie Tucker turned her warmest smile on him. Sophie and a group of actors, expelled from the biggest actors' union (BW—Jul29'39,p29) on charges of mishandling union money, promptly joined the stage-

hands' group. All are members of the A.F.L., and it was up to Green and his executive council this week to untangle the jurisdictional fight. Regardless of which way the decision went, it was freely predicted the actors and stagehands would tangle in a showdown fight for control.

to quit discouraging membership in United Automobile Workers. If it did nothing else, the announcement served to highlight the time-lag in hard-fought industrial relations court cases—the ruling in question referred to events of 1936 and early 1937, long since washed out in changes of company policy and in the wide sweep of U.A.W. to majority power among G.M. employees.

—And Look Ahead

STEEL WORKERS, who have one of the most stable and well-behaved unions even though it is one of the newest, give about 99% of the credit to Philip Murray, who has managed its affairs from the beginning. This week upwards of 100 local lodges of the union in the East gathered together at McKeesport, Pa., for "Phil Murray Day," which the steel workers plan to make into a national holiday beginning next year. The future celebrations will be held on June 17 each year. Murray, immigrant boy from a coal-mining family, is universally regarded as one of the real "strong men" of unionism. Member of the Pittsburgh school board for the past 20 years, and of several government commissions, he won national prominence by his building and management of the steel union.

PRODUCTION

Bata in Maryland

Czech shoe interests are building factory. Expect to have 10,000 workers ultimately.

IN THE MIDST of what, until this year, has been a bungalow community along the shores of the Bush River, at Belcamp, Md., the Bata shoe interests—with headquarters still in the former Czechoslovakia—are building a new factory where they intend to make shoes for the American market, and for export. On the 2,000 acres of land they have owned for six or seven years, they are now constructing a five-story plant, the center around which they intend to build more units until they are employing 10,000 workers. Surrounding the factory, they plan to have the usual worker's village, characteristic of the Bata factories all over the world. Forty one- and two-family houses are being built now, and later there will be dormitories for unmarried workers, a theater, hotel, and community center.

Factory operations will begin in the

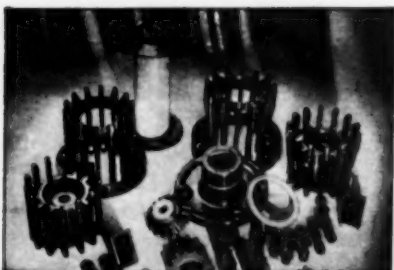
Wide open Opportunity

THERE are few products that cannot be improved with Durez. Yours may be large or small, complex or simple. Durez may give it new beauty, greater strength, lighter weight, lustrous eye-appeal. With all these, it will simplify your production. It can be formed and finished in one molding operation!

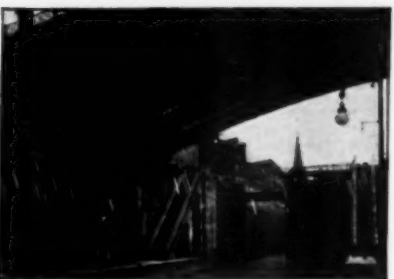
Our engineering staff will gladly help you choose the Durez plastic that best answers your problem. Write General Plastics, Inc., 88 Walck Rd., North Tonawanda, N. Y.



Housing Progress—Newest note in vacuum cleaner design is this streamlined motor housing of lustrous, chip-proof, weight-saving Durez.



Acid Test—Spinning reels and parts of acid-defying Durez promise to have a revolutionary effect on rayon yarn spinning machinery.



Tough As They Come—Durez resins produce primers and finishes that are famous for toughness, elasticity and durability. They stand up where others "fold up."

DUREZ
PLASTICS THAT
FIT THE JOB

United States about Oct. 1, with 2,500 workers who are already being reconnoitered from the community around Belcamp. Nearly 100 Czechs from the parent plant in Czechoslovakia are here to help install the equipment (much of it is supplied from Bata factories in France, England, and Holland) and later to instruct the new American workers.

Bata Chain to Help Market Shoes

Both leather and rubber shoes will be manufactured in this country and they will be sold through the chain of 43 Bata retail stores in the Middle West and through wholesalers to department and chain stores from New York to San Francisco.

Until the annexation of Czechoslovakia by Germany, Bata shoes were imported into the United States from the main factory in Czechoslovakia or from the branch plant in Holland. About 4,000,000 pairs were imported annually in the last few years, more than 80% of which were women's shoes, and about a third of which were sold through Bata-

controlled outlets. All Bata shoes are machine made, and retail for 82 or less.

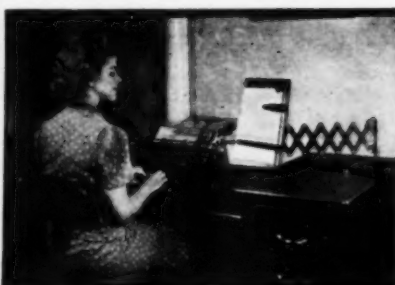
Bata is one of the first refugee industries to arrive in the United States from Europe. With the incorporation of Czechoslovakia into Germany, the United States-Czechoslovakia trade agreement was terminated by Washington, and goods coming into the United States from Czechoslovakia are now subject to heavy duties as German goods. The Bata interests continue to operate in Czechoslovakia, with the encouragement of the Nazis, who are glad for the foreign exchange which their huge exports bring to the country and the large number of people which they employ, but they have decided that it is wise to supply their United States market from a factory within the country rather than from other European subsidiaries. At the same time, they believe that they can meet a growing demand for their products in South America from the Maryland plant.

Bata interests have also established a new factory in Canada this year.

NEW PRODUCTS

Multiple Copyholder

LARGE NUMBERS of different-sized sheets are held securely and with high visibility in the Dex Multiple Copyholder. Single



sheets may be withdrawn easily without disturbing others. Dex Mfg. Co., 80 Federal St., Boston, makes the device to fit "right- or left-handed desks".

Stain Coverer

WHEN INTERIOR WALLS are stained with lubricating oil, analine dyes, creosote, asphalt, or other materials, it is possible to cover and hide them with Staincure, a new white paint developed by Wilbur & Williams Co., Park Sq. Bldg., Boston.

Heat Controller

AMONG SEVERAL ingenious new instruments just being introduced by C. J. Tagliabue Mfg. Co., Park & Nostrand Aves., Brooklyn, the Tag Celectray Recorder-Controller is of particular interest to production executives. Built in two models, one for throttling fuel heat, the other for throttling electric heat, the device holds heat-treating furnace heat

uniformly at predetermined levels by tapering off the energy input before top temperature is reached, thus preventing "overshooting."

Dandelion Nemesis

THRUST THE CUTTING EDGE of the Up-Rite Dandelion Extractor through the root of the beautiful lawn pest; pick the plant up with the inbuilt rake; shake out



the extractor over a basket. A back-breaking job becomes an easy one-handed job with the newest product of J. W. Steele & Co., North Kansas City, Mo.

Galv-A-Niel

MATERIALS CONTAINING zinc are likely to present a problem to the painter, principally because the metal reacts with oils in paint to form a "zinc soap" which raises hob with paint adhesion. Newest product of Mar-Nel Chemicals, Detroit, is Galv-A-Niel, an economical pre-painting treatment guaranteed to assure adhesion of paint films on galvanized steel, zinc die castings, and any other metal

containing a large percentage of zinc. Application requires neither tanks nor heat, although dip tanks may be used to advantage in volume production.

Pollen and Dust Strainer

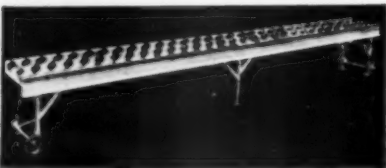
TO PROVE THE EFFICIENCY of its new American Respirator as a protection against pollen as well as industrial and household dust, American Optical Co., Southbridge, Mass., put one on pollen-



allergic Miss Betty Cantell and seated her on a pile of ragweed. She came through the experience with nary a sneeze. Tests indicate that the lightweight device excludes particles as small as a micron (1/25,000 in.) without undue interference with breathing.

Aluminum Roller Conveyors

FABRICATED out of staunch, corrosion-resistant "61 S.T. Alcoa alloy," a new line of Aluminum Portable Conveyors

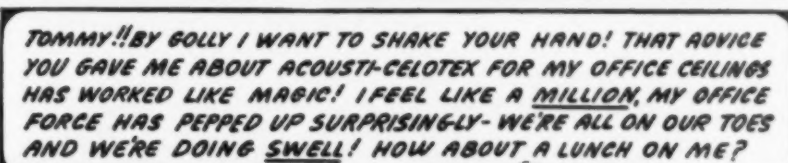
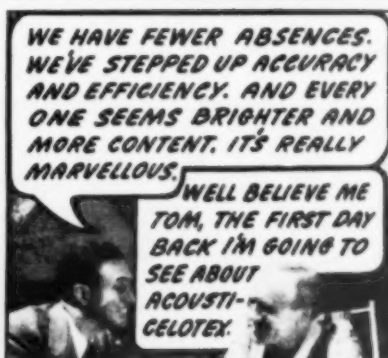
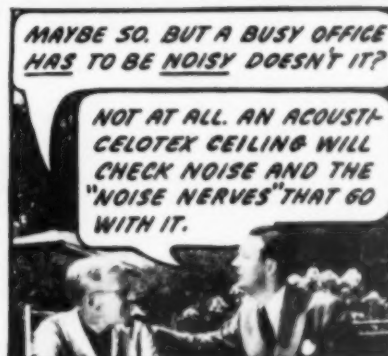


comes from Aluminum Ladder Co., Tarentum, Pa., in various sizes, with or without legs, with or without wheels. Model shown, which is 10 ft. long and 14 in. wide, weighs only 60 lb.

PRODUCTION ANGLES

New Publications

(1) EASTMAN KODAK Co., Rochester, N. Y.—(a) "Kodak Films, a Data Book on Negative Materials," 15¢; (b) "Kodachrome, Photography in Color," 25¢; (c) "Wratten Filters, Data on Filters and other Kodak Lens Accessories," 15¢; (d) "Eastman Photographic Papers, a Data Book on Contact and Enlarging Papers," 15¢; (2) The Marley Co., Fairfax & Marley Roads, Kansas City, Kan.—"Summer Weather Data with Design Data, Statistics, Charts, Maps and Technical Analysis," compiled and edited by



HOW ABOUT SOME QUIET IN YOUR OFFICE?

If you are one of the thousands of executives who have "grown up" in a noisy office, you probably are unaware of the actual cost of every-

day clatter and clamor. Yet careful study shows that noise can add as much as 12% to overhead! An item worth looking into, isn't it?

So get a Free Noise Survey of your office now! Call your Celotex Acoustical Distributor. He's listed in your phone book—or address The Celotex Corporation, Chicago.

Remember, Acousti-Celotex can be applied right over present ceilings without interrupting office routine.

PAINTABLE PERMANENT
ACOUSTI-CELOTEX

OTHER CELOTEX ACOUSTICAL PRODUCTS:

CALICEL CALISTONE ABSORBEX

J. C. Albright from U. S. Weather Bureau Statistics. Data include dry bulb, wet bulb, and dew point temperatures of 200 cities, plus figures on sunshine, wind, and other weather factors which might affect air conditioning, food manufacturing, etc., \$3.

Photograph Insurance

MANUFACTURERS DESIRING photographs of their products in use in other manufacturers' plants must often rely on local photographers. Local photographers are not always experienced. Therefore, when Reliance Electric & Engineering Co., Cleveland, wants photographs of its motors in action, it sends to the photographer along with the order a simple instruction booklet with reproductions of nine pictures typical of the kind that is wanted.

Tool Bit Test Results

BEFORE MARKETING its new Rexalloy cast tool bits, Crucible Steel Co. of America, 405 Lexington Ave., New York, gave them thorough working tests in regular production in a variety of plants. It was already known that the cast, non-ferrous alloy of cobalt, chromium, and tungsten would "run hot" at temperatures of 2,000 deg. F. without deleterious effect upon its hardness and cutting ability. It is now known as a result of the tests that safe cutting speeds and feeds for various materials are as follows:

Material	Speed in Ft. per Min.	Feed Inches
Cast Iron	300	0.125
Steel castings	140	0.033
SAE 3140 (300 Brinell) ..	100	0.025
Cold rolled	250	0.033
Copper	300	0.030
Stainless Steel (18-8) ..	250	0.015

MONEY AND THE MARKETS

FINANCE • SECURITIES • COMMODITIES

British Boom Aids Metals

Inflationary possibilities of situation in England promise to become an increasingly important factor in American economy, particularly commodity markets.

BRITAIN'S WAR-AND-BUSINESS boom has had a positive influence on prices of metals in the last few days, and it promises to become a more and more important factor in American economic thinking in the months ahead. Indeed, there are inflationary characteristics to the situation in England which could not but be reflected in the United States and Canada were they to become pronounced.

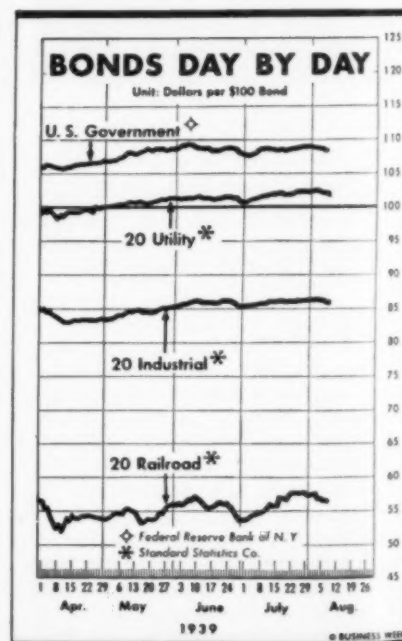
BUSINESS WEEK forecast on June 10 (p46) and June 17 (pp48 and 52) the situation which was boiling up in Britain. Now it develops that June business in "the tight little isle" came within a shade of 1937's all-time high; conscription and reemployment have cut unemployment to the danger point (5% is widely considered a necessary reserve of labor); production capacity in England can't supply demand, and orders have been diverted in substantial volume to both Canada and the United States.

When demand for goods, backed by ample credit, begins to outrun productive capacity in any country, the ground-

work for inflation is laid. If buying begets more buying, thereby accentuating the under-production, inflation is on the way. When demand spends itself simply in raising prices and not at all in eliciting more production, inflation exists.

Now it is clear that Britain has not yet traveled far along this spiral. It is true that productive capacity appears inadequate—especially in view of the probability that armament orders will not reach their peak until the fourth quarter of this year. On the other hand, the British pound sterling has enjoyed a Gibraltar-like stability around \$4.68 ever since early this year (see chart, p38); prices of commodities have not risen materially in England, and most raw materials are at levels which seem underpriced for any time of normal industrial activity; supplies of most commodities are anywhere from ample to superabundant; the British government is in a position to exercise almost war-time control over the domestic economy.

Under the circumstances, conscientious analysts will be slow to conclude that England faces an inflation which threat-



ens to have wide repercussions. By the same token, it probably will be the better part of business wisdom in this country to keep a weather eye on the pound's relationship to the dollar and the action of commodity prices in the London market as well as at home.

Thus it is that increased activity at advancing prices in the metal markets is entitled to a trifle more attention than the actual markup in quotations justifies in itself. Only a few weeks ago, copper was going begging in the United States at 10¢ a lb. France, England's outstanding ally, jumped into the market for some 50,000 tons of the red metal. The official quotation in this country advanced to 10½¢ a lb., then to 10½¢, and finally to 10½¢. Domestic consuming industries bought hand over fist, ordering more than 182,000 tons in July (compared with current consumption of between 50,000 and 60,000 tons a month).

In lead and zinc, London prices for months had been holding the lid on domestic markets. In the last few days, however, prices abroad have edged upward, permitting domestic advances also. Lead has twice been advanced in this country, going from 4.85¢ to 5.05¢; zinc has gone from 4.50¢ a lb. to 4.75¢ in two jumps. And domestic orders have been attracted in volume.

Push Package Stocks

Brokers offer a small bundle of securities to investors and speculators.

IN THESE DAYS when the brokerage business falls 'way short of what it's cracked up to be, the more or less familiar "package stocks" are making a significant comeback. The idea is earning a little direct revenue for its various sponsors, and the brokers who are pushing it hope they will find some new customers for regular commission business in stocks.

Three New York Stock Exchange houses now are actively engaged in the vending of "packages." Two of them—Alexander Eisemann & Co., and Jackson Bros., Boesel & Co.—have been busy at it for some time. The third—Hirsch, Lilienthal & Co.—launched "Hirlico Diversified Portfolios" this week.

Package plans employed by these firms are essentially the same, although there are minor differences which are handy for sales purposes. Basic plan is to offer the investor (or small-time speculator) a package made up of five shares each of 10 stocks, all listed on the Big Board. The house sponsoring the plan usually agrees to buy the shares at the opening price or at the closing price, depending on when the order was received. The buyer of the package is charged the regular odd-lot commission plus the \$30 a package minimum markup prescribed by the New York exchange. He

This is under no circumstances to be construed as an offering of these securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such securities. The offer is made only by means of the Prospectus.

NEW ISSUES

PENNSYLVANIA POWER & LIGHT COMPANY

\$95,000,000

First Mortgage Bonds, 3½% Series due 1969

To be dated August 1, 1939

To be due August 1, 1969

Price 105½% and accrued interest

\$28,500,000

4½% Debentures due 1974

To be dated August 1, 1939

To be due August 1, 1974

Price 104% and accrued interest

Copies of the Prospectus may be obtained in this State from only such of the undersigned as may legally offer these securities in compliance with the securities law of this State.

SMITH, BARNEY & CO.	THE FIRST BOSTON CORPORATION	BONBRIGG & COMPANY <i>Incorporated</i>
HALSEY, STUART & CO. INC.	HARRIMAN RIPLEY & CO. <i>Incorporated</i>	MELLON SECURITIES CORPORATION
BLYTH & CO., INC.	KIDDER, PEABODY & CO.	W. C. LANGLEY & CO.
SHIELDS & CO.	UNION SECURITIES CORPORATION	WHITE, WELD & CO.
E. W. CLARK & CO.	COFFIN & BURR <i>Incorporated</i>	HARRIS, HALL & COMPANY <i>Incorporated</i>
LAZARD FRERES & CO.	LEE HIGGINSON CORPORATION	STONE & WEBSTER AND BLODGET <i>Incorporated</i>
	TUCKER, ANTHONY & CO.	

August 9, 1939



LIABILITY REBOUNDS!

Most property owners and contractors know they may be liable for bodily injuries or damage to property of others occurring on their premises or by reason of their operations.

What may not be realized is that liability supposedly delegated or "passed off" to sub-contractors doing work that is subtle, often rebounds like a boomerang upon the unsuspecting owner or contractor.

Many court decisions have held owner or

contractor liable even though not actively negligent. They, as well as sub-contractor, may be named defendants in suits involving claims for bodily injury or property damage.

The great single safeguard against loss resulting from such suits is OWNERS' or CONTRACTORS' PROTECTIVE LIABILITY AND PROPERTY DAMAGE INSURANCE. This protection is written in policy form by both American Surety and New York Casualty Companies.

PREVENT-
DO NOT
LAMENT
LOSS!

AMERICAN SURETY
COMPANY
NEW YORK CASUALTY
COMPANY

HOME OFFICES: NEW YORK

Both Companies write Fidelity, Fidelity and Surety Bonds and Casualty Insurance

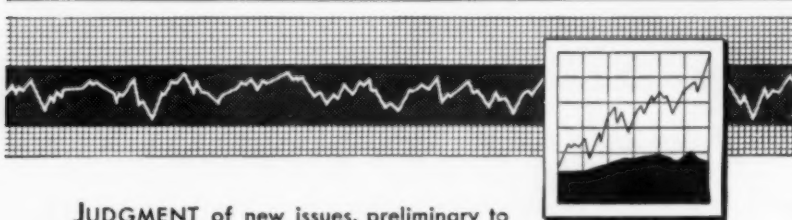
can sell all or any of the shares on the open market any time he likes.

Those who sponsor the packages choose lists of stock which are diversified in their appeal. One recently advertised a "New York World's Fair package" and it is customary for them to have a low-price package, a high-yield package, a prominent-company package, a speculative-appeal package, and so on. They change the composition of the packages' contents from time to time. The idea obviously is to have a package that appeals to every taste and possesses qualities which are adjusted to various pocketbooks. Thus the salesman has something to talk about with almost anybody he may approach. In order to get the widest market, package sponsors sell through dealers in many cities aside from those in which the firm has offices.

There's a Way of Checking Up

There are houses aside from these stock exchange firms which sell packages. In fact, a few fly-by-night concerns brought the business many black eyes in the post-1929 years. Therefore the Big Board regulates its members in the business, particularly on their commissions and markups. And, as the buyer of a package from a Big Board member gets listed shares, he can tell with a little figuring just exactly how much he is paying for the sellers' services.

Sponsors of the plans hope that package sales will get more people interested in stocks. They figure that they don't really make much money on the packages themselves (especially if they advertise and help cooperating dealers with promotional material). What they really want is to educate a few more customers, develop a little more round-lot commission trading, and build better and broader markets in stocks.



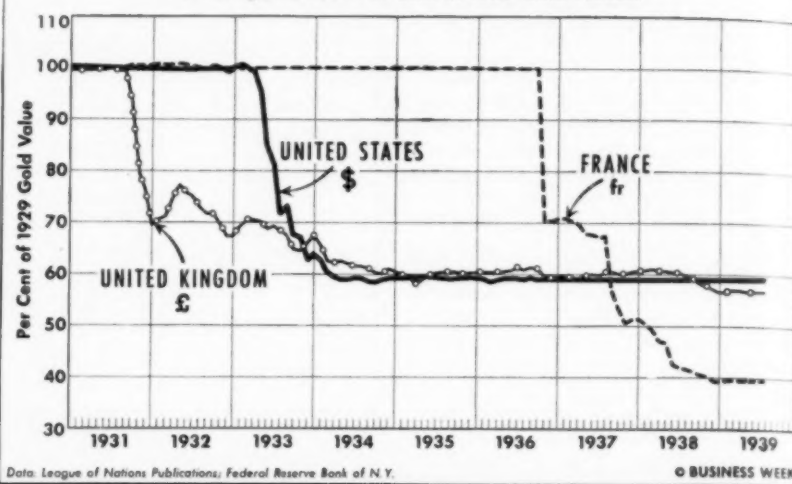
JUDGMENT of new issues, preliminary to purchase and subsequent recommendation to clients, is the responsibility of our Corporation and Municipal Buying Departments. The training and experience of members of these divisions is suggested by their service records with this organization. The average period of service of over a third of the personnel of these divisions is 22 years and that of the entire group almost 14 years.

CHICAGO, 201 SO. LA SALLE STREET · NEW YORK, 35 WALL STREET
AND OTHER PRINCIPAL CITIES

HALSEY, STUART & CO. Inc.

THE MONEY TRIANGLE

Exchange Rates in Per Cent of 1929 Gold Parities



FINANCIAL ANGLES

Long-Term Bear

THIS WEEK the International Institute of Agriculture at Rome burst forth with its analysis of the world wheat situation—and confirmed what every grain trader, flour merchant, and miller long knew (*BW—Jul 15 '39, p. 16*). The world this year will have on hand more wheat than it could possibly use. Not merely will production be one of the largest of the past two decades (exceeded only by last year's 4,555,000,000 bu.), but the institute goes on record as a long-term bear. The world will have so much wheat on hand, the institute predicts, that the

markets will be glutted with the grain for at least the next year, possibly for two.

Values, Then and Now

BACK IN THE ROARING 1920's, the names of the big speculators were something to conjure with in the stock market. That had something to do with the astronomical prices which Baldwin Locomotive stock attained when the late Arthur Cutten (of grain market fame) and Detroit's fabulous Fisher brothers formed a little pool to run it up (it went pretty nearly to \$300 a share, since has gone through the reorganization wringer). Big factor in the runup was talk of Baldwin selling its Philadelphia property, vacated when it moved its manufacturing to the outskirts of the Quaker City. No estimate was too high on the value, no talk too extravagant regarding potential buyers. These days the real estate is carried on the books at \$3,500,000. This week a city block of it was sold to Lit Bros. (department store) for a warehouse, and it brought not the millions of the 20's but a tidy \$337,500, nonetheless.

Some Baby, Baby Bonds

IN 1935 the Treasury sired its first litter of 3% baby bonds, inserted full-page spreads in national magazines to preach their merits to investors of moderate means. Today those small investors, to whom a 2.9% yield on government bonds looks pretty good, need no such advertised lure. For, as figures for the fiscal year ended last June show, purchases of baby bonds by these investors accounted for \$684,495,389 of the \$3,274,000,000 indebtedness the Treasury incurred. During the present fiscal year, baby bonds are expected to furnish some \$800,000,000 of the \$3,300,000,000 the Treasury figures it will have to borrow.

BUSINESS ABROAD

FOREIGN TRADE • INTERNATIONAL AFFAIRS • FOREIGN INDUSTRY

Europe Counts Its Manpower

With 8,000,000 men under arms and factories operating near capacity on war orders, industry faces a labor shortage, bottlenecks in production, and the threat of state control over labor.

BRITAIN AND FRANCE are having the best summer business in two years, except for the paucity of American tourists, but a cloud hung over the resort throngs who were celebrating the annual August bank holiday last week.

On Aug. 15, European armies will reach a peak of more than 8,000,000 men. Britain's full battle fleet will maneuver at home and in the Mediterranean. German troops line the Polish border. Moscow has more than a million men under arms along the frontiers between Leningrad and Odessa. Italy's summer maneuvers have ended with a defense against an imaginary French invasion of the rich agricultural and industrial Po river valley, but Italian troops remain massed at their posts.

Fresh alarm is stirred by the Germans. Troop movements are strikingly like those of last summer. And the acrid press and radio campaign against Warsaw that was resumed in Germany this week has all of the earmarks of the pre-Austria, pre-Sudetenland, and pre-Czechoslovakia coups.

Industry Drives Up Output

This accounts for the lull in stock market activity abroad, on the one hand, and the step up in commodity buying—particularly in the metals. It accounts, too, for soaring industrial production, even during the normal summer slack period, and forces into the forefront of the business picture the whole problem of full employment. Germany's labor shortage is already acute (the government this week appointed a czar for the coal industry in an effort to force further rationalization and a greater output); in Britain and France a shortage is imminent.

While the British have set up, in their Ministry of Supply, the authority to conscript labor, and to control prices and output, British business is beginning to be concerned over the prospect that this authority will not be exercised except in time of actual war and that, consequently, the competition for both labor and raw materials which may become serious before the end of 1939 will set the stage for a large-scale inflation.

The Economist, of London, sums up concisely the situation and the prospect:

"British business activity is within two points of the highest figure it ever recorded. Employment is higher than at any previous time. This general rise in activity is not by any means limited to the armament industries (widely though their net is now spread); it is affecting the majority of the industries and most of the regions of the country.

"The cause of this very rapid increase in industrial activity is the gigantic defense program, which is now estimated

to cost more than \$3,500,000,000 in the current year. The total expenditure of the Exchequer (national treasury) this year will be at least \$7,125,000,000; six years ago it was only \$3,440,000,000. In short, government expenditure, which was already approaching one-fifth of the whole national income, has been doubled in six years, most of the increase being concentrated in a small period. And at least \$2,500,000,000 of this year's expenditure is to be borrowed.

"When there are no more unemployed resources of labor or capital of the varieties required, a further increase in the State's activities can be secured only by a restriction of all other activities. This can be brought about by an increase in taxation, which would reduce consumption. Or by direct requisitioning of supplies. Or, by allowing prices to rise and thus to curb consumption. This is inflation." The complaint of *The Economist* is that inflation is developing in England, intentionally or not. If it comes, business in the United States will soon feel the effects, too. The warning is out in Europe.

Reich Tries for Barter Deal

Germans are in the Washington foreign trade picture this week. Representatives of the Berlin government who have been in this country for some time attempting to negotiate a deal in which German goods, now on the United States tariff free list, would be bartered for shipments of American lard and cottonseed. Fate of the deal will be sealed within a few days. Approximately \$15,000,000 of goods on each side are involved.

Despite the fact that Germany is on our tariff "black list," the pending deal has really been under discussion for much longer than a year. It started in the Middle West where the packing companies who process lard and who claimed to be acting in the interests of the hog farmers who formerly sold thousands of tons of lard to Germany worked up a deal a year ago bartering lard for German wine and non-dutiable farm equipment. It fell through, though on the California coast a considerable volume of business has been transacted along these lines. Germany is heavily dependent on foreign supplies of most kinds of fresh fruit and edible fats, and before the World War was the United States' largest market for lard.

Washington Holds Aloof

Henry F. Grady's announcement at the time he became Assistant Secretary of State that he saw "little or no possibility of the United States reaching commercial or economic agreements with Germany or the other totalitarian powers," certainly indicates that Washington is unlikely to open discussions soon for a more formal agreement with the Reich. It probably indicates, too, that

Outlook



Wide World

With the appointment this week of Dr. Henry F. Grady (above) to succeed Francis B. Sayre as Assistant Secretary of State, increased activity in U. S. trade agreements moves up into the foreign business outlook. As head of the Tariff Commission, Dr. Grady was one of the principal figures involved in all U. S. reciprocal trade agreements, is expected to start trade negotiations shortly with several countries—one of the first and most important of which will be Argentina. Negotiations will probably open this month.

talk of a new trade agreement with Japan to replace the one which terminates in January is premature. Mr. Grady was formerly head of the Tariff Commission and is believed to have been assigned to his present post in the State Department because of his expert knowledge of international trade problems, and because there is to be intensified activity in the trade agreements field in the immediate future.

A final commodity deal believed to be in the offing is tied in with the government's program of laying in emergency reserve supplies of raw materials which this country must import from abroad and which might be temporarily cut off in time of war.

Soviet Contribution to Reserves?

The War Department is known to favor building up a supply of manganese. Some people believe that it will account for the expenditure of one-half the \$10,000,000 which has been appropriated so far to build up stock piles of raw materials. The hurried trip to Moscow of Soviet Ambassador Oumansky may be connected with this plan, for the Russians have large quantities of high grade manganese ore and are eager to sell it in larger quantities to the United States. They are reported even to have offered to increase their already large machinery purchases in the United States if this country agreed now to place an order for manganese reserves.

Bankers familiar with the large Soviet gold output and who have talked recently with high Soviet officials in Moscow are not surprised at the announcement that Moscow is making a loan to the Chinese government. Russians look on continued Chinese opposition to Japan's aggression as one way of weakening the Japanese position further north where it directly affects the Soviets. Former Foreign Commissar Litvinov reflected official Russia's attitude when he said to *BUSINESS WEEK* in Moscow in April: "If the United States is opposed to Japanese aggression in China, why did it limit its financial aid to the Chungking government to a loan of a paltry \$25,000,000?"

Labor Straitjacket

BERLIN (Cable)—Each week more of Germany's industrial effort is focused on the labor shortage—a situation that sums up the German internal economic predicament. The Reich is determined to increase production by greater rationalization of industry even if it means still further subjugation of private enterprise to the state.

The decree last week creating a virtual dictator of the coal industry to alleviate the labor shortage and increase output is a step in this direction. Although the Reich has had a surplus

supply of coal for export in recent years, the frantic scramble to develop synthetic industries has absorbed increasing amounts of the annual production. With demand beginning to exceed supply, and the prospect of the Hermann Goering steel works using great quantities of coke next year to smelt low grade ores, Germany must increase the output per man per shift or abandon hope of completing the Four-Year plan.

One method of attracting more workers to the coal mines will be to offer special inducements of the best food, improved housing, and a generally more privileged position than workers in other industries. On the other hand, by decision of the German courts, leaving a job important to the state has become a criminal offense. Finally, the arrival of German authorities in Sofia, Bulgaria, to enlist 10,000 workers for the iron industry may open another labor source.

The restrictions on gasoline sales introduced recently are not believed to initiate any permanent rationing of motor fuel, but are intended as a safeguard that filling stations are amply equipped to supply motorized military units during the summer war maneuvers. It is significant that motor fuel imports rose 18%

Amtorg's New Chief



Konstantin I. Lukashov (above), is the new head of Amtorg Trading Corp., the Soviet buying agency which handles nearly all orders for American goods. Last year Soviet purchases from the U. S. came close to \$70,000,000, and the Soviet-American trade agreement, renewed this week, guarantees purchases here this year of at least \$40,000,000. Renewed buying of machinery on a large scale, however, is expected to boost this year's business to the high level that was attained last year.

in the first half of 1939 over the same period last year, in spite of the spectacular progress made in synthetic gasoline production.

Paris Removes Quotas

PARIS (Cable)—From the chaotic business conditions of a year ago under the Popular Front, France has successfully worked into the smooth running economy envisaged by the Reynaud decree laws issued this April. Business morale is high, and the French are increasingly confident of defeating the Axis powers in the present bloodless economic war.

One principal reason is the dramatic reduction in the unfavorable trade balance. The deficit was only 7,769,000,000 francs for the first seven months of 1939 compared to 10,530,000,000 francs for the same period last year. Exports increased by 4,675,000,000 francs, the first rise in several years, while imports rose by only 1,913,000,000 francs.

Confident that this situation would continue, the French government has announced the experimental removal of the vexatious quotas on 60 commodities. While this action was accompanied with the warning that the quotas would be reestablished in case of dumping, the government may eventually take under consideration the removing of quotas on the 240 articles still under that system. Regular tariff rates still apply. Abandonment of quotas means junking a complicated system of import licensing which the French instituted at the beginning of the business recession.

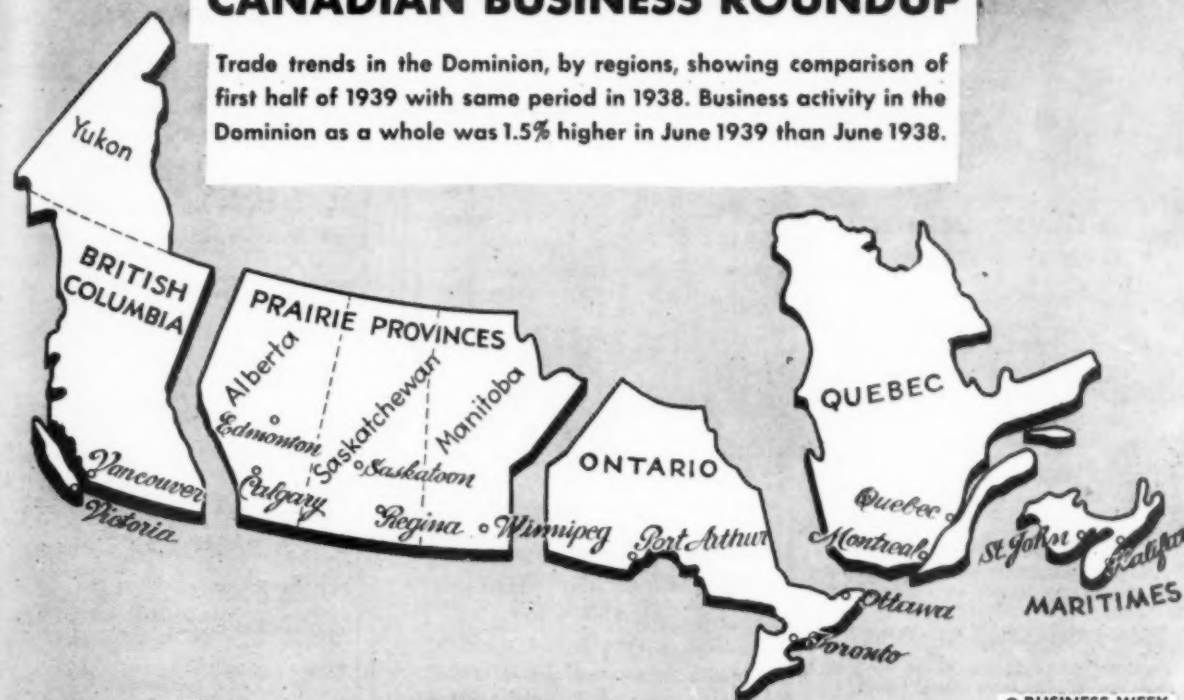
Capital Loses Its "Timidity"

Business was also encouraged by the report of the Finance Minister showing that for the seven months that the country's finances have been under his control, capital has been repatriated in spite of international tension, and the gold reserve in the Exchange Equalization Fund is large enough to allow the sale of 5,000,000,000 francs to the Bank of France. Industrial production in June reached the 1928 level, the demand for the May defense loan has been so great that the Treasury will cut the interest rate from 4% to 3.5%, and unemployment has decreased to a new low.

The transition to a war economy has had the inevitable effect of raising the cost of living. But rising taxes are being shaped to curtail consumer demand in those lines which might be converted for the present emergency into the production of war supplies. The luxury business is not to be neglected completely, for it is the backbone of French exports which must be maintained if France is to pay for its enormous raw material imports. The present low foreign exchange value of the franc gives the country a price advantage in world markets which it did not enjoy before devaluation.

CANADIAN BUSINESS ROUNDUP

Trade trends in the Dominion, by regions, showing comparison of first half of 1939 with same period in 1938. Business activity in the Dominion as a whole was 1.5% higher in June 1939 than June 1938.



© BUSINESS WEEK

	British Columbia 1939 Value	% Change	Prairie Provinces 1939 Value	% Change	Ontario 1939 Value	% Change	Quebec 1939 Value	% Change	Maritime Provinces 1939 Value	% Change	Total 1939 Value	% Change
Construction Contracts (\$000,000 omitted)	3.9	-16	6.4	-20	40.1	+22	28.1	+12	4.9	-52	83.4	+3
Electric Power Output (000,000 KWH omitted)	952	+0.4	1,118	+10	3,864	+6	7,393	+11	415	-1	13,742	+8
Employment (1926=100)	102.4	+1	96.6	+3	110.4	-2	115.3	+1	104.3	-5	108.8	-1
Bank Debits (\$000,000 omitted)	986	+10	2,004	+9	6,890	+1	4,942	+5	310	+1	15,132	+4
Insurance Sales (\$000,000 omitted)	15.0	-1	24.4	+9	87.8	+1	50.4	-1	13.0	Unch.	190.6	+1

Canada's Business Outlook Bright

Despite low wheat prices, Dominion sees good business ahead, boosted by Europe's war orders, influx of new industries, and soaring exports.

OTTAWA (Business Week Bureau)—Canadian disappointment this week over the weak prices for wheat, in a year when they have a record crop, was pushed into the background by more cheerful business indicators and by six months' trade figures, just released. The Dominion, it seems, is doing better businesswise than it was a year ago, and the prospect for further improvement this fall is bright.

A small oil boom in Alberta, a continuing influx of refugee industries from Europe, a growing stream of war orders from Britain and, recently, from France, make the outlook for the last two quarters of 1939 good.

The influx of orders and business from Europe is responsible in part for the con-

struction boom which is apparently getting under way. Mining production jumped nearly 8% over a year ago. Steel production has slackened slightly during the summer but the three big Canadian heavy steel plants are busy. Export demand has kept forestry industries, especially on the Pacific Coast, exceptionally busy. Newsprint plants in Quebec and Ontario are benefiting by increased consumption in the United States. Electric power production is up 8% for the half year.

Export trade showed some striking gains this spring. Since imports declined at the same time, the trade balance in Canada's favor amounted to \$150,000,000. Trade returns do not indicate that

the improvement in exports is due in any substantial measure to the terms of the new pact with the United States. Sales to Britain have been increasing, as well as sales to the United States of commodities not affected by the treaty.

This month Canadian companies will distribute more than \$7,000,000 in dividends, about 10% more than in August a year ago.

Through the government's guarantee price system, wheat growers will escape the full effect of the declining world prices but the federal treasury will be nipped for upwards of \$100,000,000 under the guarantees for the two years.

The tourist business, normally heaviest in August, appears not to be living up to earlier expectations.

New interests, under the name of Anglo-Dutch Refining Co., Ltd., may shortly acquire a leading Canadian sugar refining company, the Acadia Sugar Refining Co., Ltd., of Nova Scotia. Directors of the Acadia company, refusing to reveal identity of the individuals behind the Anglo-Dutch company, have asked



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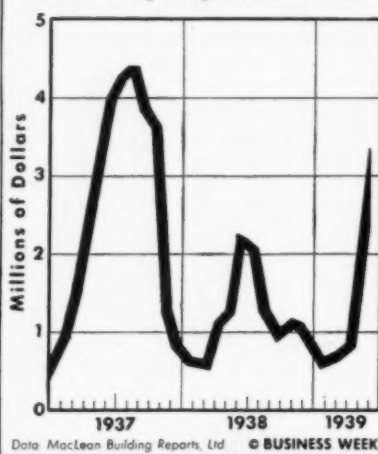
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NEW BOOM?

Canadian Industrial Construction
Nears New High

(3-month moving average of contract awards)



Data: Maclean Building Reports, Ltd. © BUSINESS WEEK

Though still lagging behind prosperous 1937, Dominion industrial construction is a factor in the strong upturn of business. Refugee industries from Europe, and plant expansions to handle European war orders will continue to boost fall business. Besides, the government has announced a 10% income tax credit based on the cost of plant expansions made before April, 1940.

for approval of shareholders to a decision to sell the company for \$3,000,000, of which one-half would be payable in cash and one-half in 6% 15-year redeemable debentures to be issued by the purchasing company. Other Canadian refinery companies have denied they are involved in the purchase of the Acadia company. Stock of Acadia Sugar has been closely held, with the majority of the shares owned by Glasgow (Scotland) and Nova Scotia interests.

Making Sure It's "All-Wool"

Commodity standards are becoming an issue in the Dominion. Contending that much of the woolen hosiery sold in Canada, and stamped "all-wool," contains from 10% to 15% cotton, Canadian Minister of Trade & Commerce Euler, exercising for the first time the power vested in the Dominion Trade & Industry Commission, in 1935, to establish commodity standards, has decreed that hereafter hosiery marked "all-wool" must contain at least 97% wool by weight. The new rulings were made on the recommendations of the Canadian Woolen and Knit Goods Manufacturers Association, which proposed a basis for standards in various fabrics. The regulation becomes effective Feb. 1, 1941.

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THE TRADING POST

Over and Over Again

SO MUCH HAS BEEN SAID about that "age 40" deadline, that the Monsanto Chemical Co. recently checked up its own practice in the matter of employee ages. Its findings appear in the July issue of "Monsanto Magazine".

It appears that 34% of the employees in its ten plants in the United States are above the 40 deadline. In some of its older plants the ratio rises to 60% and 66%; and, as the company points out, it is in a new industry and only four of its ten plants date back before the turn of the century. For comparison note that of the country's total male population (over 15) only 42.5% are over 40.

Its current policy is indicated by the fact that, during the recent recession, only 72 men over 40 were laid off. That was 8.6% of the total lay-off. But when business began to pick up, it hired (June 1938 to March 1939) 93 men over 40. That is, 30% more older men were recently added than were laid off during the recession.

According to the U. S. Census only 39.6% of the males over 40 are unemployed, whereas the "over 40s" constitute 42.5% of the male population. This would indicate that industry as a whole does not discriminate against the older worker as has been charged by its critics.

Such contributions of data by individual companies are important because they provide specific and concrete evidence to support the general figures. They are a follow-up; they make for reiteration. One weakness in the efforts of industry to educate the public is the tendency to assume that once error has been exposed, truth has been established. Nothing could be further from the fact. The critics of business know that. They never miss a chance to add an item here or cite a case there to buttress their criticisms. Even when their contentions are wholly disproved on the best of authority, they do not despair. Always they can scrape up a few more grenades and resume the attack. There will be those of the public who did not see the refutation and still are susceptible. There will be some new stories, also false perhaps, but useful if they were not specifically covered by the answer. Then, too, there always is chance to smear the authority. And so the fight keeps alive an issue that apparently was disposed of once and for all.

This matter of public education is not a one-time shot; it is a continuing campaign. Business is not addressing a mass-meeting, it is trying to talk to a parade. No point ever is disposed of; tomorrow it will crop up in another form. No

criticism ever is answered; always there is someone who didn't hear. No case ever is proved; rebuttal is eternal. Patience and persistence must be added to eternal vigilance as the price of security.

Sometimes we hear tell of the "court of public opinion". That's a bad metaphor. Public opinion is no "court" as the business man understands the term; he had better not think of it in that light. There's no expert and impartial bench. There's no selected and qualified jury. There are no rules of evidence. There are no precedents and no verdicts that are valid for more than the moment. The business man who thinks of submitting his case to public opinion on such a basis is betrayed by a fantasy. He will be disillusioned.

Public opinion does not work that way, and he must work according to its rules, rather than those of the debating forum or the law-court. His critics and opponents know that very well, so that's how they work. As this becomes better understood, business will make more headway in the process of public education.

And there is every reason why it should be better understood, for not a bit of it is new or strange. In selling its goods, business applies those principles every day. Its salesmen cannot work in an orderly courtroom under the discipline of a learned judge. They must stand in the ring, toe to toe against their competitors, and deal with each situation as it comes up. Its advertising men dare not say, "We told 'em all that once; let it go at that." They know that they must tell 'em over and over and over again, year in and year out, if they are to keep their stories fresh in the people's minds, undimmed by the distractions of a distracting world. Its sales managers, if they are wise, will not console themselves that all the dealers "know us and our line, and are for us." They know that the other fellow never sleeps and that if they relax for an instant the cultivation of their distributors, they may be courting disaster. Selling is a continuous process assuming a public mind exposed every day to new influences that tend to wash out the memory of yesterday's impressions.

In selling its goods, business knows that is the only way to win its public. And it is learning that that also is the only way to counter the attacks that are made upon it. That is why it is so important for individual companies, like Monsanto in this case, to persevere in laying on the line their own specific budgets of evidence to support the position of business as a whole. Thus they amplify and reiterate; and these are two essentials of successful selling. W.T.C.



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BUSINESS WEEK

The Journal of Business News and Interpretation

August 12, 1939

The Return of the Profit Motive

CONGRESS, in the session just closed, dealt rather kindly with business. It did away with the hated undistributed earnings tax; it abated the scheduled 50% increase in Social Security taxation for three years; and finally, it turned its back on the Administration's spending theory of finding prosperity.

The first two actions are positive in their impact on business for they affect directly the profit and loss accounts of corporations and partnerships. But the defeat of the spend-lend bill comes under the head of "intangible benefits." It is a legislative decision which cannot be measured with mathematical accuracy.

In that neat way British journalism has of discussing American affairs, *The Statist* of London pigeonholed the spend-lend program as follows: "Behind the plan is, of course, the belief (1) that the stimulating effect of present deficit spending must not be withdrawn too suddenly or it will hurt business; (2) that the more money is handed out, no matter by whom, the more prosperity there will be—the problem being to produce more customers with more money; (3) that a much higher level of business activity is necessary if the New Deal stands a chance of winning the 1940 election."

In turning away from the President's theory, Congress did not surrender the desire for a higher level of business activity, but it did repudiate the idea that a higher level of business activity can be attained solely and efficiently by government spending: put a lot of borrowed money into consumption channels and a lot of business will result.

THERE are risks in the course Congress has adopted—risks that the circumspect business man will want to recognize. For many years now, business has been doped periodically with injections of government money, which not only has lifted the income of ultimate consumers, but also has provided orders for steel mills and cement plants and textile factories. So, it cannot be denied that government spending has been effective, even though it may not have been efficient.

Indeed, there is a sound basis for concluding that the business collapse in 1937 was due in part to the virtual stoppage of net government spending in the spring of that year (chart page 13). But there were other factors, too: high inventories, labor troubles, inflationary price advances, and a constrictive Federal Reserve policy which impelled banks to sell U. S. bonds.

The confluence of those causes, rather than a single cause, accounts for the sharp decline in business of two years ago. And when private capital expenditures did not cushion the break, quantitative government spending started in on a tear all over again in 1938.

FORTUNATELY, in the immediate months ahead, government spending will taper off; it will not be cut off (as in 1937). So, industry will be able to adjust itself slowly to the withdrawal of the injections. But this imposes decisive responsibilities. Business leaders have been insisting that what this country needs is a balanced budget in contradistinction to the government theory that what the country needs is an unbalanced budget. The Administration argues on the one hand that government spending compensates for lack of private investment; leaders of business, on the other hand, aver that persistent budgetary deficits freeze private initiative and inhibit private investment.

Private spending has a quality unpossessed by public spending. It is spending with a purpose—the purpose being profit. It is undertaken when the business man foresees the possibility of making two cents where only one cent was before; and whenever a business man embarks on a program of capital spending for plant and equipment, it is his way of saying, "there are profits ahead." But government spending is the government's way of saying that government must subsidize the profit motive; that there aren't profits ahead without help from the Treasury.

Thus, what the action of Congress comes down to in the final analysis is that Congress has given back the profit motive to the business man, and it's now up to him to demonstrate that there's umph in the old dog yet.

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